



**CEDAR WOODS
PROPERTIES LIMITED**

ABN 47 009 259 081

ANNUAL REPORT 2005



Developing land.

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*Developing land.
Developing profits.*



Cedar Woods' primary objective is to create value for shareholders through growth in earnings.

We want to communicate the company's progress to shareholders and the investment community. We want to satisfy customers' expectations through exceptional property development.

To do this we must align the interests of the company and its employees and provide employees with the opportunity of growth and development. We want to have our citizenship recognised by the communities in which we operate, be recognised as environmentally responsible and maintain the highest ethical standards.

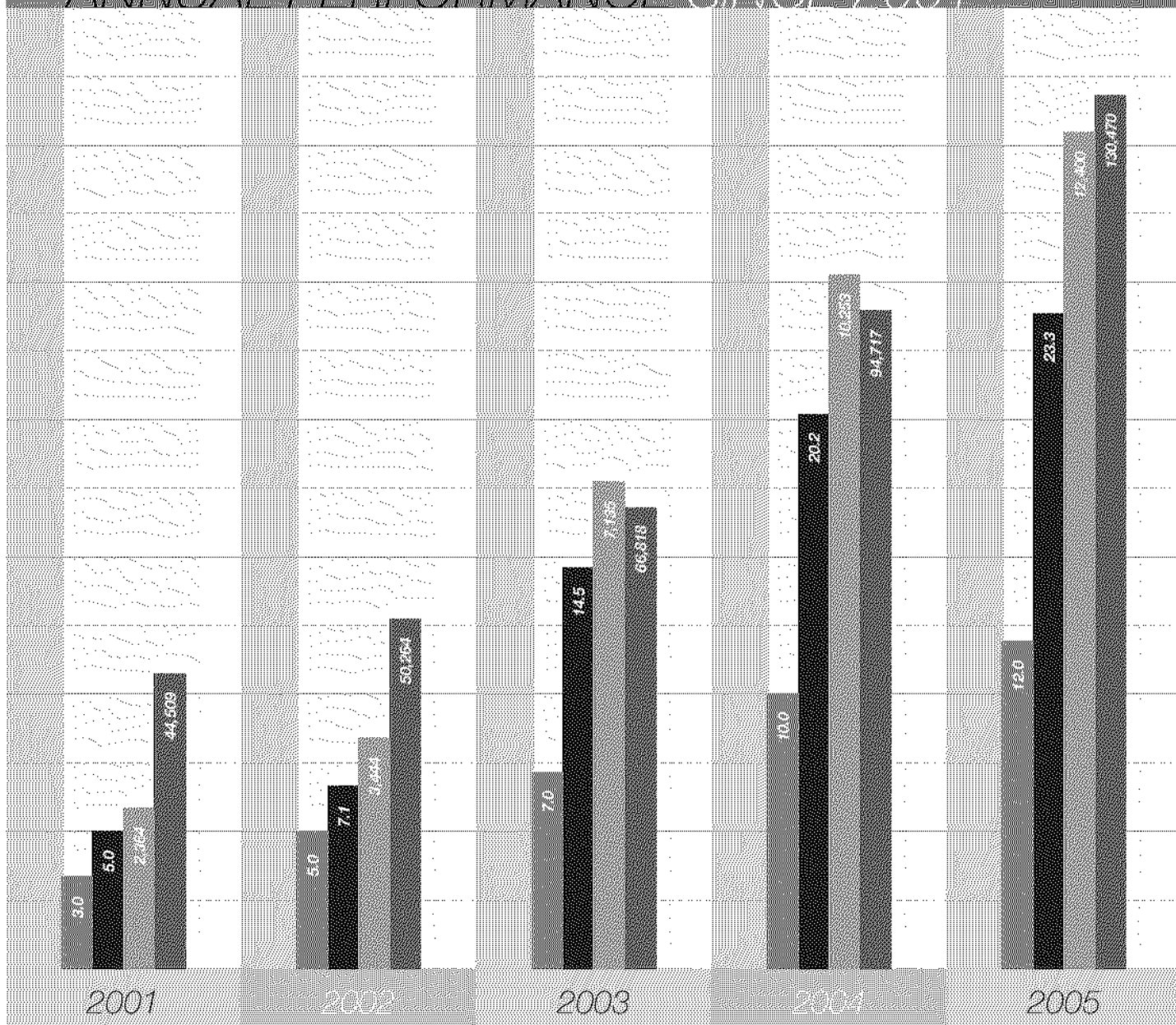


2005 HIGHLIGHTS AT A GLANCE

- Earnings per share increased 15%.
- Dividend per share increased 20%.
- Share price increased 36%.
- Net profit increased 21%.
- Successful launch of new developments at Balcatta and Rockingham in Perth.
- National Award for Excellence from Urban Development Institute of Australia (UDIA).



ANNUAL PERFORMANCE SINCE 2001



Dividend per share (cents)
 Earnings per share (cents)
 Net profit after tax (\$'000)
 Total Assets (\$'000)



ABOUT CEDAR WOODS

The company's main interests are in urban land subdivision for residential, commercial and industrial purposes. Its portfolio of assets is located in both Western Australia and Victoria.

Cedar Woods Properties Limited is an Australian property development company. Established in 1987, the company has been listed on the Australian Stock Exchange since 1994, trading under the security code 'CWP'. Its market capitalisation is currently approximately \$150m.

The Board and management of Cedar Woods Properties Limited have extensive experience in the property industry, with particular expertise in adding value to land holdings through the achievement of government and local authority approvals and the planning and design process.

Cedar Woods' projects are sensitively developed in

consideration of environmental and community interests and built to a high quality that is renowned in the marketplace. Investors in the company's developed products have enjoyed strong capital appreciation in their investments.

The company has a strong focus on shareholder returns and its record in delivering quality developments to the market has produced a strong earnings stream, providing high returns to shareholders.

The company has a portfolio of projects which provide a sound foundation for future growth. Further information is provided later in this report.

2005 FINANCIAL RESULTS SUMMARY

Year Ended 30 June		2005	2004	% Change
Revenue from ordinary activities	\$m	75.1	57.2	31
Net profit after tax	\$m	12.4	10.3	21
Total assets	\$m	130.5	94.7	38
Net bank debt	\$m	38.9	23.3	67
Net bank debt to equity - 30 June	%	68.2	48.4	19.8
Interest cover	x	12	12	-

KEY SHAREHOLDER INFORMATION

Year Ended 30 June		2005	2004	% Change
Basic earnings per share	¢	23.3	20.2	15
Dividends per share - fully franked	¢	12.0	10.0	20
Total shareholder return (1 year)	%	42	82	(40)
Net asset backing per share	\$	1.03	0.90	14
Shares on issue - end of year	m	53.3	53.2	-
Shareholders' equity	\$m	55.0	47.8	15
Stock Market capitalisation at 30 June	\$m	123.0	90.5	36
Share price	\$	2.31	1.70	36

Return on shareholders funds of 23% exceeded the minimum acceptable return of 12% and return on capital achieved of 21% exceeded the minimum benchmark of 14%.

REPORT TO SHAREHOLDERS

In 2005 Cedar Woods Properties provided a total shareholder return in excess of 40%.

We are pleased to report that 2005 was another record year, with profits and dividends increasing by 20%.

The company's expansion and diversification of the property portfolio continued, with revenue growing to a record \$75m, a 31% increase over 2004.

Earnings per share growth exceeded the company's target of 10% pa, increasing 15% to 23.3 cents, and a further 0.8 cents per share was realised from the asset revaluation reserve.

Receipts from customers was a record of \$65m (last year \$58m) which enabled the company to reinvest \$49m in the purchase of new land and development of its projects. Gearing (net bank debt to equity) at 30 June 2005 was 68%, within the preferred range of 20-75%. Interest cover was 12, above the minimum target of 6.

Strong share price gains continued in 2005, with the price appreciating 36%, reflecting market confidence in the company's prospects.

2005 dividend and future interim dividends

The directors have declared a fully franked dividend of 12 cents (10 cents in 2004) to be paid on 21 October 2005.

Over the past few years the company's portfolio has expanded and cashflows have strengthened. Accordingly, the Board intends to introduce an interim dividend, commencing April 2006.

Projects

Further planning and development approvals occurred within the company's projects, details of which commence on page 20.

The company's acquisition focus is on key growth areas that are experiencing strong demand and growth in property values. Its current projects are all located in these areas. Demand remained firm across the company's projects and construction of new stages took place at Mariners Cove, The Rivergums and The Kestrels.





Sales at Mariners Cove – in particular the canal lots within ‘The Islands’ – continued strongly and prices exceed those achieved in the award winning Port Mandurah Canals project. Sales at The Rivergums and The Kestrels continued strongly, with buyer recognition of their GreenSmart accreditation and their location within two of Perth’s development ‘hotspots’.

The Aria and Nautilus projects demonstrated the strength of demand for beachfront apartments with the Aria project successfully completed during the year with all apartments selling well ahead of completion and with Nautilus securing more than enough pre-sales to justify commencement of construction. At Canning Vale, marketing of terrace and cottage lots and townhouses and apartments is underway, with construction and landscaping of the subdivision nearly complete.

The Victorian office of Cedar Woods has continued to work on assessing further acquisition opportunities and in progressing the planning for the significant Victorian land holding at Laverton.

The 275 ha land holding at Laverton in Victoria has been master planned into a major residential community with a mixed-use activity centre integrated with proposed public transport infrastructure.

The land holding is one of the largest single ownership parcels on the main transport network in Melbourne and is

only 18 km from the city. Residential development is filling in to both the north and south of the site. The delivery of planned infrastructure by the State Government that will service the site is continuing with much of the necessary design work now complete.

Following an extensive design process, the planning documentation required for the rezoning has been completed and approvals are being sought. The Laverton site will provide a sound foundation for the Victorian office with cashflows anticipated over a 10–15 year period.

Activity in the property sector remained at high levels and a focus on planning and project management continued during the year to ensure projects were completed on time and within budget.



Paul Sadleir - MD



William Harnes - Chairman



Overlooking the lake at The Rivergums

REPORT TO SHAREHOLDERS (cont.)

Corporate objectives and strategy

The Corporate Plan guides the management team's activities and was reviewed at a special board meeting which endorsed the plan's key objectives and strategies. The plan provides a 5 year outlook for the company, projecting earnings growth under various scenarios.

We again reviewed our performance on a number of measures against that of peer companies as well as the listed industrial market. Consistent delivery of 10% pa growth in earnings per share places a company in the top half of listed industrial companies and this target has been retained as the company's primary objective.

Action items in the Corporate Plan feed into project timelines and become key milestones for sales and development staff and are reviewed on a monthly basis.

Twice yearly our Audit and Risk Management Committee assesses risk factors that may affect the company. In addition to specific risks affecting individual projects, there are general risks affecting our business sector:

- Increases in interest rates.
- Reduction in Government support for the housing sector.
- Increased construction costs for both land subdivision and buildings.
- Increased competition and changing buyer preferences.

The company's strategies are directed at delivery of earnings growth and in particular addressing key risk factors.

Progress in these key strategy areas was as follows:

- Profitable development of existing projects.
The company is continually examining its product offering to ensure design, delivery and marketing maximise the return the company receives. One indication of results in this area was winning the national industry award for best residential estate for our Mariners Cove project.

- Diversification of the property portfolio.
The company received revenue from 6 projects during the year and within the 6 projects was able to offer several different products such as canal lots and cottage lots and completed product in the form of town houses through to apartments.

- Identification and acquisition of new projects.
During the year 6 new projects were acquired, including 2 waterfront apartment sites. In addition several large land parcels were optioned to allow planning and rezoning activities to occur prior to possible acquisition.

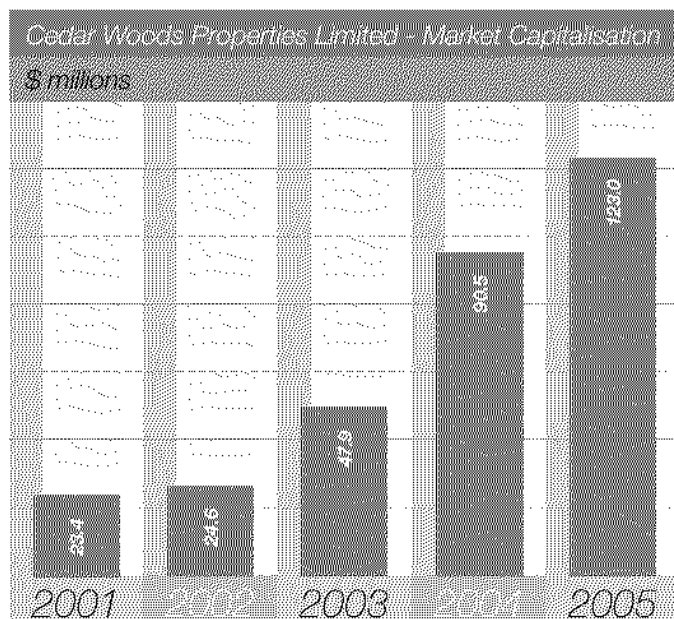
Existing projects will provide earnings growth for the next five years and we are therefore able to be highly selective in any future acquisitions.

The focus remains on longer term prospects that often provide the potential to add greater value through rezoning and approvals than projects purchased for immediate development.

- Using joint ventures to leverage the company's skill base.

The company is undertaking one joint venture and negotiating several others where we will obtain various approvals and undertake design and development and then receive a profit share. This both reduces and defers the level of capital required and enables the company to participate in a larger number of projects.

- Retaining ownership of income producing assets.
CedarWoods continues to explore opportunities in this area, with excellent opportunities anticipated at Laverton.





Parkland, The Kestrels

The company has a number of non-financial objectives in its Corporate Plan, with the following activities:

- Shareholder and investor briefings were again given in Perth, Melbourne and Sydney.
- Market research on completed projects was undertaken and used in product design workshops.
- Training and development of staff continued and recruitment of additional staff was undertaken to ensure new projects were adequately resourced.
- Many charitable and community groups in the areas in which we operate received support and sponsorships.
- Remediation of degraded areas continued.

The housing sector and the economy

Economic growth prospects for 2005 remain strong, with forecast growth of 3.5% and 4.5% for Australia and

WA respectively. Population growth, strong immigration and favourable employment market conditions are all underpinning housing demand.

The housing sector remained strong in calendar 2004, with commencements falling less than expected. At the national level there was a 1% decline whereas WA had a 5% increase.

These high levels of activity, coupled with significant cost increases in building materials, have seen costs for houses and apartments increase rapidly during 2004 and 2005.

In 2005, analysts expect a modest decline in commencements, with the trough expected in the September quarter before an expected upturn.

The company remains somewhat sheltered from these declines by having projects in the Wanneroo and Mandurah areas which are both in the top 20 fastest growing municipalities in Australia.

Perth also remains the most affordable of the major capital cities in Australia.

REPORT TO SHAREHOLDERS (cont.)

Sustainability

We approach sustainability at two levels – on a corporate level and a project level. On the corporate level, we seek to illustrate to shareholders that the company maintains sustainable long term corporate planning through the managed growth of the company, in terms of its trading performance and its portfolio of projects, the growth of which is essential to the company's future. On the project front, we seek to ensure that our projects are environmentally responsible, that they enhance the local community within which they exist and that they are profitable, thereby achieving a triple bottom line result.

At Mariners Cove we have fostered the growth of a new community which has considerable identity and pride. The project's value to the wider community of Mandurah is evident through the protection and enhancement of the Creery Wetlands Nature Reserve and the creation of employment opportunities through the introduction of a nursing home to the estate.

The company continues to incorporate sustainability principles into each of its developments. Our two latest major residential estates, The Rivergums and The Kestrels, are both HIA GreenSmart accredited. The company not only produces energy efficient subdivision layouts, it also

requires thorough compliance with building guidelines, and that homeowners embrace these principles in the siting and design of their homes.

The company has also committed to be a supporter of the Great Southern Arc campaign, an initiative which will see the acquisition and rehabilitation of farming and bushland in Western Australia's Great Southern region, which constitutes Australia's only global biodiversity hotspot.

This initiative is seen as a very responsible approach to the concept of sustainable development, whereby the development of urban land in and around established areas of settlement can be offset by the conservation and/or rehabilitation of meaningful areas of remnant bush and degraded or cleared land in rural areas.

People

It was another very busy year for the company, with successful outcomes in the key areas of acquisitions, development and marketing. The management team remains focused on building a pipeline of future projects that will provide continued growth in earnings. This involves innovation and best practice outcomes.

The company has a talented team of property professionals and we ensure that there is continued investment in professional development.

Water feature, Mariners Cove, Mandurah





Bridge, Mariners Cove

Corporate Governance

The board aspires to the highest level of Corporate Governance and has ensured its governance principles and practice reflect the ASX requirements and are appropriate for the company and the business environment in which it operates.

The board is also conscious of its duty to ensure the company meets performance objectives. During the year the board and its committees reviewed their respective charters and performance to ensure they were properly discharging their responsibilities.

The detailed Corporate Governance statement commences on page 30.

Outlook

With a healthy national economy and the Western Australian economy set to expand for the foreseeable future, the underlying drivers of the property market are in place.

The prime locations of the company's projects in Perth's very strong market are expected to result in continued strong sales.

We are also well positioned to meet changing market demands and have a significant part of the portfolio that will meet the demands of the baby boomer generation.

Built form product remains challenging, with trade shortages and the rise in material prices, and the company is only acquiring sites for apartments and medium density developments that are in prime locations and can command premium prices.

The company remains focused on its primary objective of growth in earnings and notes the strong correlation between earnings and its share price.

The company outlook remains very positive and its portfolio continues to expand and improve in value.

The recent acquisitions have helped ensure growth for the next several years, leaving the company with the ability to be highly selective in further acquisitions.

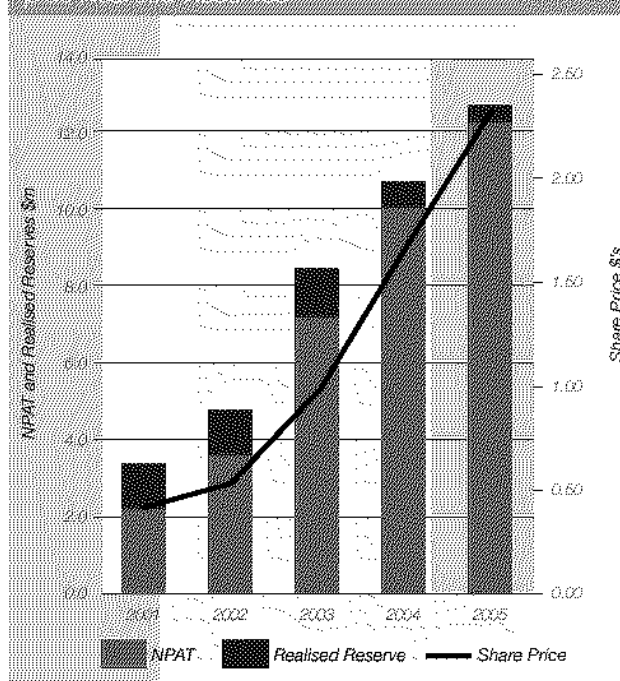
For FY 2006, the company is forecasting continued growth in net profit and expects to achieve its target of 10% growth in earnings per share and deliver a net profit of approximately \$13.5m.

We would like to thank our fellow directors and the management team for their dedication over the past year.

W.G. Hames
Chairman

P.S. Sadleir
Managing Director

Cedar Woods Share Price vs NPAT
plus Realised Reserves



QUALITY ASSETS FORMING A DIVERSIFIED PORTFOLIO

Waterfront Residential Land

	Purchased	Developable Area (ha)	Remaining Life (Years)	2005 Achievements	Growth Opportunities
<i>Port Mandurah</i>	1990	132.5	1	Growth in resales	Medium density housing
<i>Mariners Cove</i>	1993	103	5	National UDIA Award and strong sales	Limited competition and wide product range

Residential Smart Growth

	Purchased	Developable Area (ha)	Remaining Life (Years)	2005 Achievements	Growth Opportunities
<i>The Rivergums</i>	2001	114.5	8	Ongoing strong sales	Built form product
<i>The Kestrels</i>	2003	50	5	Strengthening sales	Built form product
<i>Helena Valley</i>	1999	8	2	Rezoning achieved	Niche foothills market
<i>Forrestdale</i>	2005	15	2	Acquired on terms	Establishing urban area

Mixed Use/Mixed Density

	Purchased	Developable Area (ha)	Remaining Life (Years)	2005 Achievements	Growth Opportunities
<i>Laverton</i>	1998	220	10-15	Rezoning underway	Masterplanned development
<i>Cambridge Waters</i>	2002	8.3	4	Development approvals	Wide product range
<i>Balcatta</i>	2003	6.3	1	Strong sales	Leasehold opportunities

Built Form

	Purchased	Developable Area (ha)	Remaining Life (Years)	2005 Achievements	Growth Opportunities
<i>Aria</i>	2002	0.2	1	Sold out	Leasehold opportunity
<i>Nautilus</i>	2003	0.5	3	Stage 1 80% pre-sold	Leasehold opportunities
<i>The Fairways</i>	Joint venture	0.9	1	Development approval	Niche golf market
<i>Palm Beach</i>	2005	0.2	1	Acquired on terms	Leasehold opportunity
<i>Halls Head</i>	2005	0.5	1-2	Acquired	Leasehold opportunity



Attributes

Waterfront appeal
Limited availability
Cashed up 'baby boomer'
purchasers

Attributes

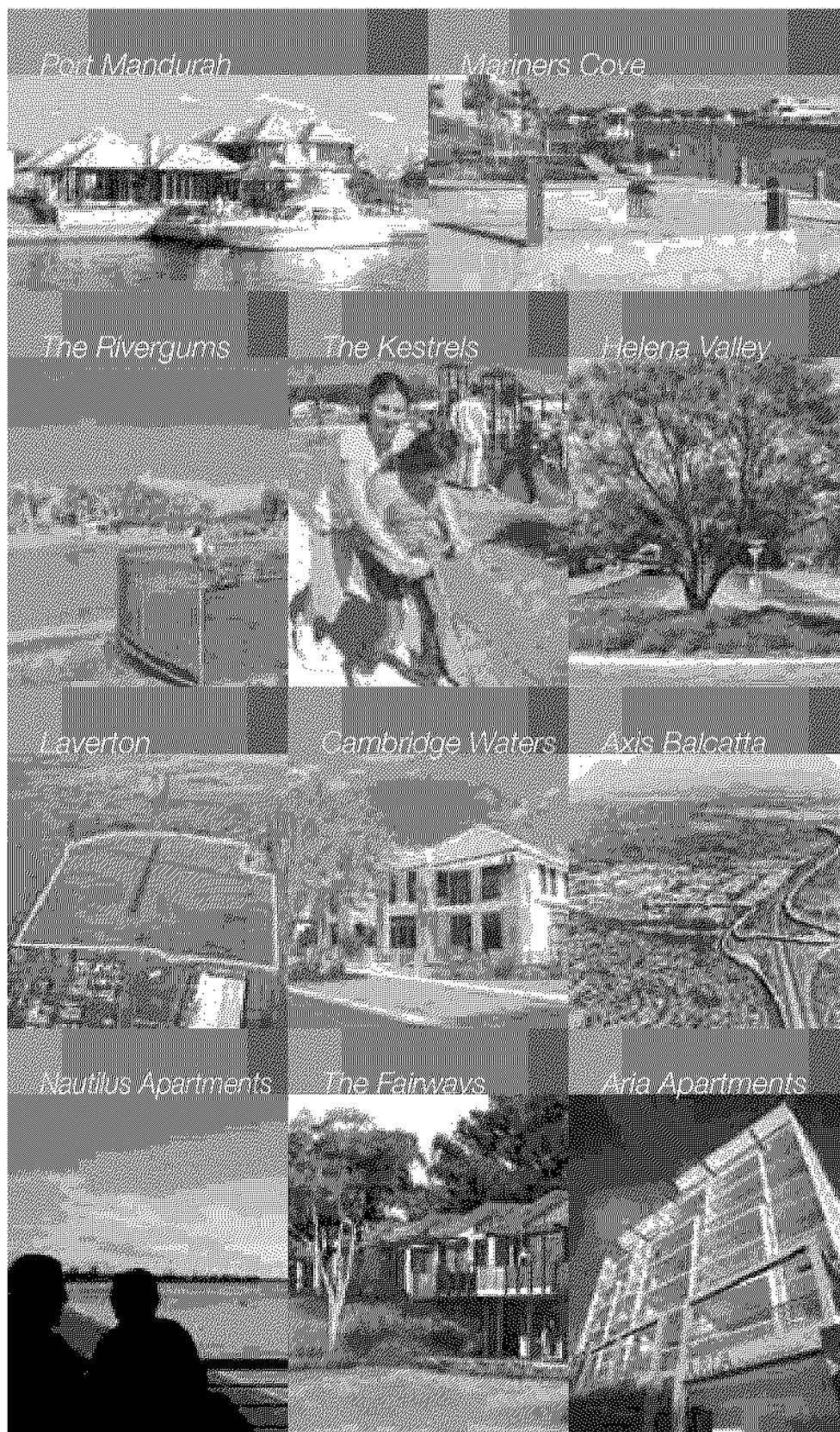
Growing customer demand
Regulatory drivers
Urban growth 'hot spots'
Long project lives

Attributes

Multi segment appeal
Strategic locations
Long project lives

Attributes

Waterfront or golf
course aspect
'Lock up and leave' security
Cashed up 'baby boomer'
purchasers
First mover advantage



REVIEW OF OPERATIONS

Financial results for FY2005



Our growth orientated strategy resulted in:

- 21% increase in net profit after tax to \$12.4m
- 15% increase in earnings per share to 23.3 cents
- 15% increase in shareholders equity to \$55m
- 14% increase in Net Tangible Assets per share to \$1.03

Financial results

Benchmarked to its primary objective, the company more than satisfied its earnings growth target of 10% by delivering earnings per share growth of 15%. Reference should be made to the financial performance summary on page 84 of this annual report which tables the financial performance of the company over the last 5 financial years. Commentary on the performance of the individual projects in the company's portfolio is set out on pages 20 to 27 of this report.

The result in the second half of the financial year was stronger than the first half, reflecting the increasing contribution of new projects. In summary the results of the two half years were as follows:

FY2005	First half	Second half
Revenue (\$m)	31.1	44.0
EBIT (\$m)	7.9	11.3
NPAT (\$m)	5.3	7.1
Earnings per share (cents)	10.0	13.3

Looking forward, the company will adopt Australian Equivalents to International Financial Reporting Standards (IFRS) in its next half year and full year financial reports. This is a mandatory requirement brought about by the fact that the Australian Accounting Standards Board is adopting IFRS for application to annual reporting periods beginning on or after 1 January 2005. An explanation of the implication of the change to the new accounting standards is set out in note 38 of the financial statements. The Company may issue earnings guidance for FY2006 from time to time during the financial year, and this guidance is based on the application of IFRS.

Our other achievements

Some significant non-financial achievements were also made during the year:

- The Company completed its first high-rise apartment project with the official opening of the Aria Apartments in Rockingham in May 2005.
- The third annual 'Christmas in the Park' breakfast was held at Mariners Cove and was attended by more than 250 residents and guests.
- An inaugural residents' barbecue was held at The Rivergums in May 2005 with the theme being an educational frog awareness programme for the estate's young families and young at heart.
- The company made significant contributions to the Mandurah community through a Gold Donation to the City's outstanding new War Memorial, which was dedicated for the Anzac Day ceremony in April, and ongoing sponsorship of 'Jazz on the Bay', part of Mandurah's annual 'Crab Fest' weekend, and the sponsorship of numerous community groups and events.
- The company similarly supported the Rockingham community through sponsorship of its annual Spring Festival, Baldivis Country Fair, 'Mussel Fest' and the Mayor's Tsunami Benefit Appeal, together with a number of local community groups.
- The company's Mariners Cove project was awarded firstly a State award and then a national award from the Urban Development Institute of Australia, for best residential development in Australia.
- The company received a Silver Award from the Australasian Reporting Awards Inc. in recognition of the high quality of reporting in its 2004 Annual Report.

The company endeavours to continue to create value for shareholders at the same time as delivering financial and non-financial returns to the communities in which it operates.



Business risks and competition

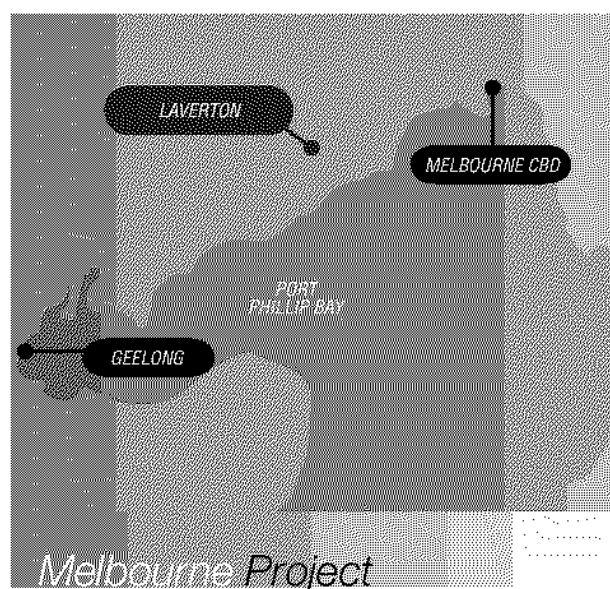
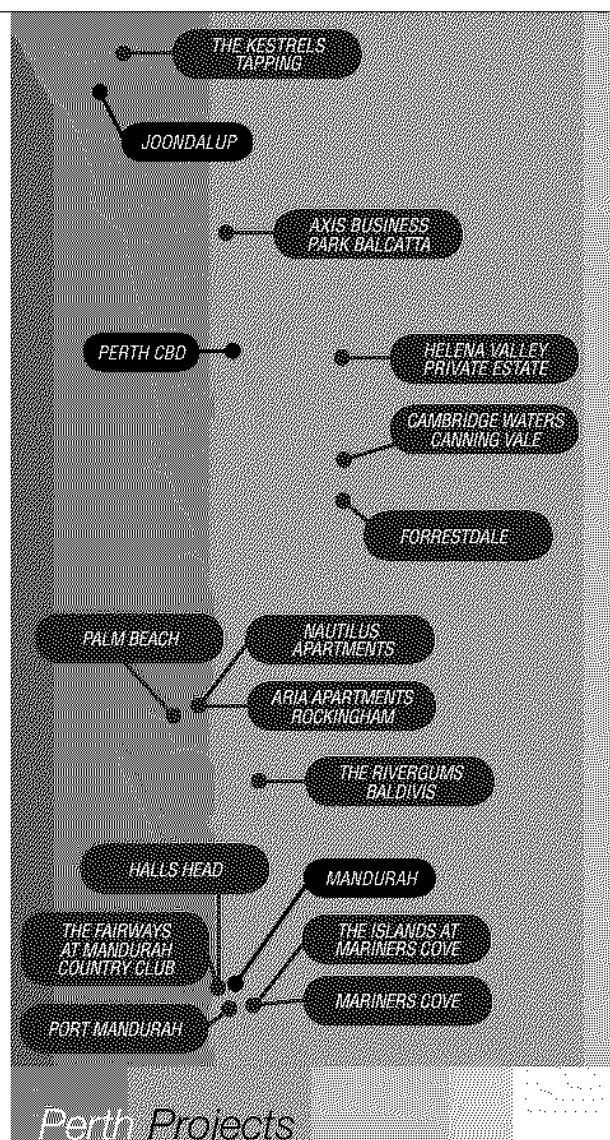
Business risk is limited through the company's adoption and ongoing review of its rolling 5 year Corporate Plan and the diversification strategy inherent therein. An integral part of the company's procedures for the acquisition of new projects and the release of new product for sale in existing projects is careful analysis of prevailing economic and market conditions. All new projects and new releases entertained during FY2005 were analysed as to their likely impact upon the Corporate Plan.

In all instances, the timing and pricing of new releases is carefully considered in the context of existing and foreseen competition, and decisions are made so as to achieve optimum return on investment through a strategic mix of market share and price. In FY2005, the releases at Balcatta and the ongoing release of new stages at The Kestrels, The Rivergums and Mariners Cove were all successfully managed to achieve the targeted sales result and contributions to the consolidated group profit.

Interest rates and foreign exchange

During the 2005 financial year the Reserve Bank increased official interest rates by 0.5% on top of the 0.5% increase in the previous year. The company has a low exposure to the 'first home buyer' market and hence was not unduly affected by the rate increases. Market commentators' opinions are divided as to whether the next interest rate movement will be up or down, although the extent of any movement is expected to be moderate, and the company is anticipating that overall demand in the market will remain steady into FY2006.

The company's activities are wholly conducted within Australia and hence the impact of foreign exchange fluctuations is minimal.



REVIEW OF OPERATIONS (cont.)

Cash flows at a glance

A detailed cash flow statement is provided on page 49 of this financial report. A simplified summary of the major inflows and outflows is provided below with comparatives for the previous financial year.

\$m	FY2005	FY2004
Inflows		
Receipts from customers	65	58
Proceeds from share issue	-	5
Net funds raised from financiers	5	17
	80	80
Outflows		
Payments to suppliers and employees	15	13
Payments for new land and development expenditure	49	56
Net borrowing costs	3	2
Taxes paid	7	5
Dividends paid to shareholders	5	3
Other items	-	1
	79	80
Net change in cash	1	-

The company increased operating inflows from its customers by 12% as a result of the general growth in activities.

The investment in new land inventory and development expenditure represents a substantial investment in the future of the company. This included over \$7m in new land and over \$10m in development expenditure on projects which will commence sales in FY2006 onwards – once again a major investment in future earnings.

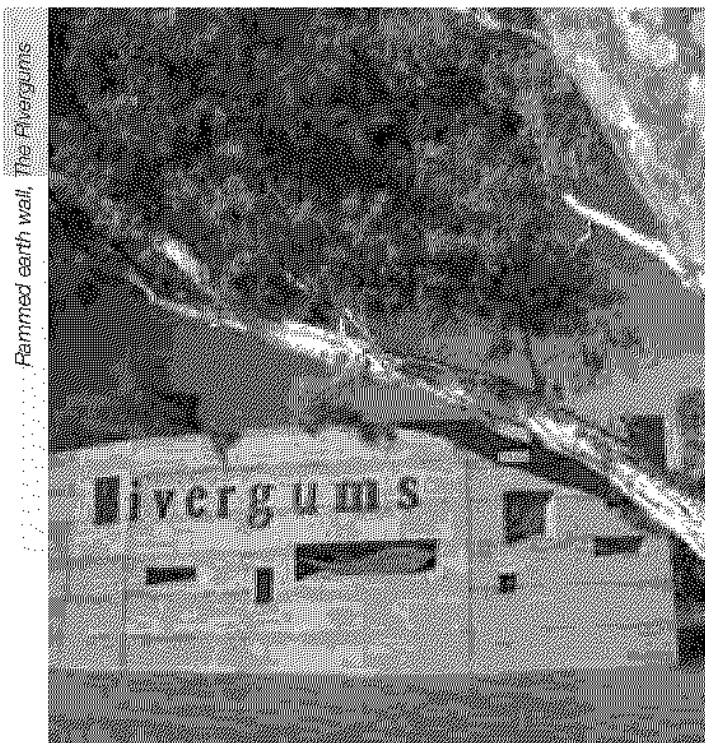
This increase was largely financed by an increase in borrowings with the company substantially utilising its corporate and project facilities.

In addition the company made tax payments of \$6.8m and increased its dividend paid to shareholders to \$5.2m.

Research and development and technology-related issues

In FY2005 the company has again continued to lift the quality of product offered, with a number of research and technology based improvements being utilised. The company considers itself a leader in its market research and in the inclusion of new technology within its developments, from the highest standards of canal and civil construction to leading edge apartment construction, all of which services a market which has an increasing expectation that it will be offered the latest environmentally-friendly, energy-efficient technology.

To optimise the performance of all of its developments, the company researches competitors' pricing and sales performance. From such research, it is apparent that the development industry as a whole offers a higher standard of product than in the past and in FY2005 it is clear that much of this is technology related, including the provision of enhanced communications services within new estates. As such, we have introduced e-wire technology into The Rivergums and The Kestrels and will continue to ensure that the technology delivered in out projects meets with consumers' expectations.





Heritage park, Mariners Cove

Impact of Government Policies

There has been little change in the past year in terms of policies affecting the Western Australian property development industry. While sustainability assessment remains on the Government agenda, the introduction of a Sustainability Scorecard has been very low key in the face of considerable industry debate and opposition. While sustainability assessment is expected to gather momentum during FY2005, the Government's consultative approach to date and the industry's alertness on the matter would appear to safeguard against any dramatic requirements of industry in this regard.

Our environmental performance

Environmental best practice remains one of the company's major objectives. Environmental issues remain a prime consideration in the company's due diligence process when selecting new projects, particularly in an era where many of the opportunities presented to the company have some form of environmental constraint.

Plans are formulated so that specific site conditions can be considered and any impacts can be minimised and managed. A strategy for net environmental benefit is very much a part of the plans. As testament to this strategy, the company was recognised for its efforts through its Mariners Cove project receiving the Urban Development Institute of Australia's National Award for Environmental Excellence and the inaugural Housing Institute of Australia's GreenSmart Development of the Year Award, both in 2003.

The Mariners Cove project includes a major portion of an internationally recognised migratory waterbird habitat, the Creery Wetlands, which had been substantially degraded by past practices of previous landowners and other human

activities. The company has undertaken, at considerable cost, works that will ensure the long term viability of the reserve for future generations. Works include the establishment of a vermin proof fence around the perimeter of the site, boardwalks, pathways, interpretive signage, shelters and bird hides. Degraded areas caused by vehicles have been ripped and decompacted and then successfully revegetated. An educational website has been developed to inform the wider community of the attributes of the reserve and its diverse flora and fauna. Visit www.creerywetlands.info to find out more.

The company continues to embrace the Housing Industry Association's GreenSmart initiative and has been accredited as an HIA GreenSmart partner. The HIA GreenSmart programme is the name used to describe actions for builders, developers, consultants and local authorities that are working to improve the environment together with their products and services. The accreditation has required training for senior management and other staff and has entailed the implementation of GreenSmart principles in the company's latest projects, The Rivergums at Baldivis and The Kestrels at Tapping. These projects have both achieved GreenSmart accreditation for embracing the following environmental principles:

- Energy efficiency through maximising solar orientation and minimising energy use of households via design guidelines and incentives.
- Waste minimisation and recycling of waste material from site.
- Retention of native and existing trees and vegetation.
- Water conservation through water sensitive urban design principles and design guidelines for home owners.
- Stormwater and nutrient management of runoff.

Within The Rivergums project, a revegetation programme has also commenced for a degraded wetland within the project and an adjoining public nature reserve.

REVIEW OF OPERATIONS (cont.)

Community Involvement

The company continues to play an ongoing role in the establishment of community initiatives within its estates and has consistently been rewarded with a good reputation and a significant number of repeat purchasers.

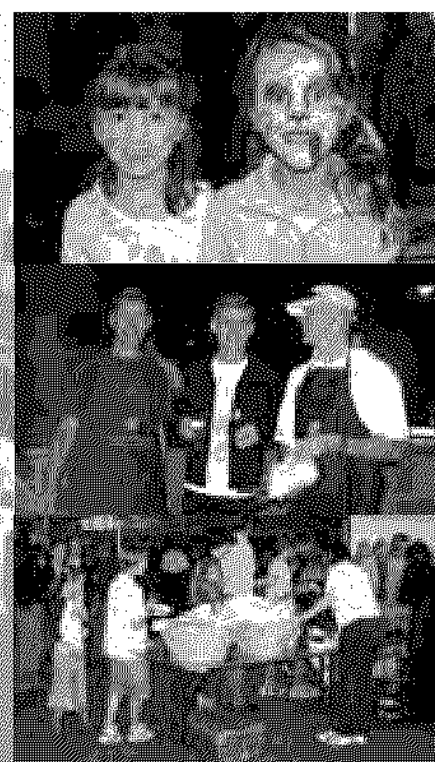
Since the early days of the establishment of the Port Mandurah Canals community, company representatives have participated in meetings of the local Residents' Association and have acted as a liaison point between the association and the local Council on matters related to the maintenance and use of the canals and the project in general.

In December 2002 the company organised an inaugural residents' Christmas gathering at Mariners Cove which was extremely well attended and fostered great community spirit. This event was successfully repeated in 2003 and 2004 and the residents have now established their own Residents' Association and Neighbourhood Watch group.

The company is also a strong supporter of a wide range

of community groups through sponsorship. This year the company sponsored no less than 20 groups or events in the Mandurah area, ranging from naming rights sponsorship of 'Jazz on the Bay', part of Mandurah's annual Crab Fest, to a Gold Donation towards the construction of Mandurah's outstanding new War Memorial and the sponsorship of numerous local sporting and charity groups. The company similarly supported the Rockingham community through sponsorship of its annual Spring Festival, the Baldivis Country Fair, "Mussel Fest" and the Mayor's Tsunami Benefit Appeal, together with the sponsorship of local sporting and community groups in both the Rockingham/Baldivis area.

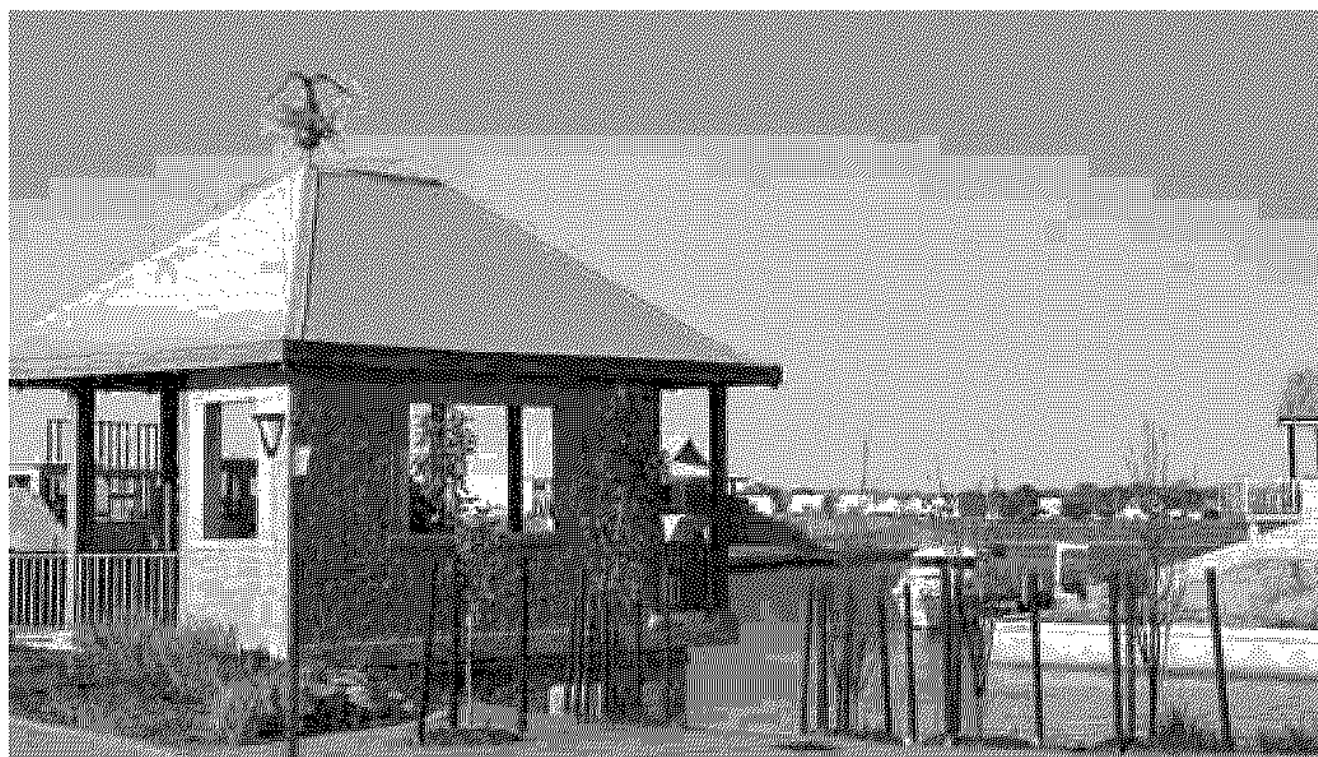
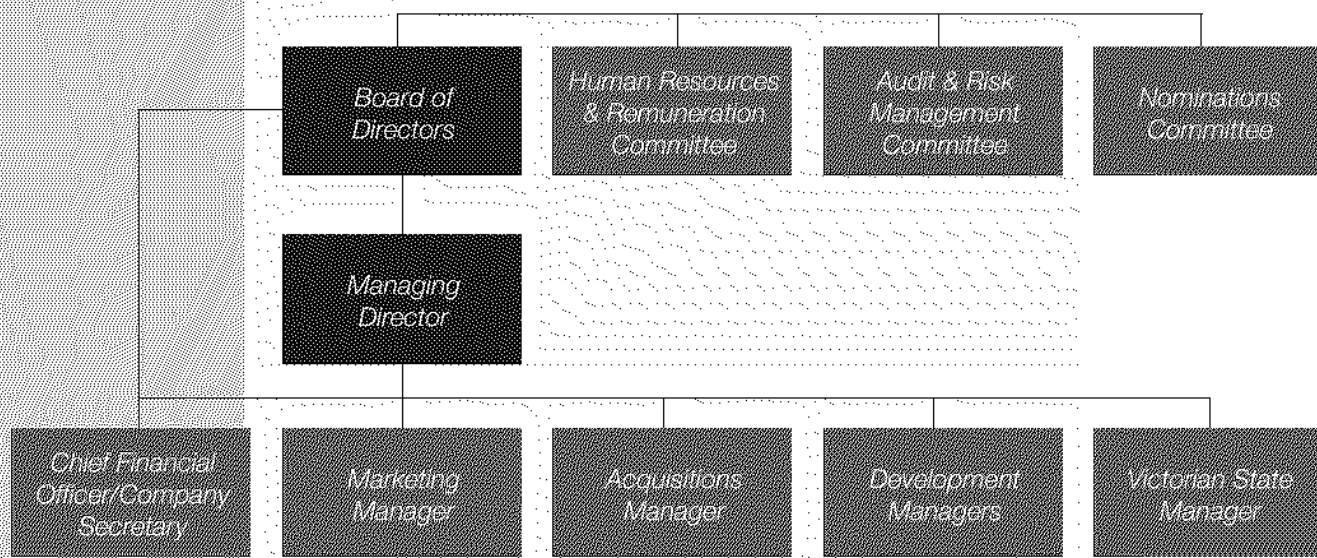
The company also commenced sponsoring local groups in the Wanneroo area as The Kestrels established its profile and the estate was certainly put on the map through the company's donation of a lot within the estate to the 2005 Dream Home competition, which drew thousands of entries from all across the State. The company continues to support a number of local sporting and community groups in both the Rockingham/Baldivis and Wanneroo/Tapping areas.



Things that go jump in the night, The Rivergums



ORGANISATION STRUCTURE



The Pavilions, Port Maudurah

REVIEW OF OPERATIONS (cont.)

Personnel issues

The company has continued to develop policies and programs during the year that seek to enhance the productivity, education, safety and fulfilment of employees.

The company continues to provide appropriate training and development programs for its employees which are of benefit to the company. The company participates in a number of property industry related training programs including the HIA GreenSmart Training and Accreditation Course. The company assists a number of staff with tertiary education leading to degree qualifications and is an accredited employer with the Institute of Chartered Accountants for the CA Program.

The company holds safety for its employees, contractors and residents as paramount to its operations. Health and safety plans for safe working environments for these stakeholders have been implemented in accordance with occupational health and safety regulations.

As a property developer where large, heavy machinery is used by contractors on its various sites, safety is always a priority. The company has not had any significant safety incidents on any of its sites and is continually reviewing its contractors' methodology to ensure that the possibility

for such an incident is minimised. A risk assessment and appropriate management plan for each site is prepared prior to any works being carried out.

The company has established a Code of Conduct which must be observed by all employees.

The overriding principles contained in the Code of Conduct are that all employees, including directors, shall:

- Conduct their duties fairly and honestly.
- Treat other stakeholders fairly and without discrimination.
- Conduct business on an arms length basis free of any influences which are inconsistent with the company's objectives.
- Conduct themselves in accordance with the law, The Listing Rules of the Australian Stock Exchange, the company Constitution, local by-laws and other relevant rules or obligations imposed by organisations which govern the markets or jurisdictions in which the company operates.
- Strive to the highest possible levels of personal conduct.
- Maintain a safe working environment.





The Islands at Mariners Cove, the company's flagship project

Selection of employees is made such that no discrimination will be made on the basis of ethnicity, religion, gender or age. Salaries for employees are benchmarked to the relevant market and independent reviews are held every 3 years. Employees may select any complying superannuation fund for the purpose of the superannuation guarantee scheme. Certain employees are invited to participate in the employee share plan. For details of the plan please refer to note 36 of the financial statements on page 75.

The company has a range of processes in place relating to performance evaluation of employees. The annual

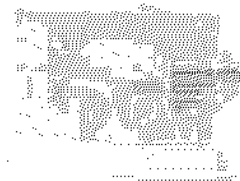
performance planning and review of employees involves each employee being evaluated by the Managing Director (or in the case of the Managing Director, the Board). The employee's performance is evaluated against objectives that were set at the commencement of the year. Periodic reviews are held during the year to assess progress and a final review is performed at the completion of the year.

The company has implemented Occupational Health and Safety policies and procedures which it requires its staff, its consultants and contractors to adhere to. These measures have minimised on-site accidents and lost time from injuries.

WATERFRONT RESIDENTIAL LAND

Mariners Cove – best in Australia

It's official – in March 2005 leading industry body The Urban Development Institute of Australia (UDIA) selected Mariners Cove as the best residential development of more than 250 lots in the whole of Australia.



Having beaten the best in the west in November 2004, the project went on to beat a quality field comprising the best developments from each mainland state, the win coming as a welcome follow up to the UDIA National Award for Environmental Excellence in 2003.

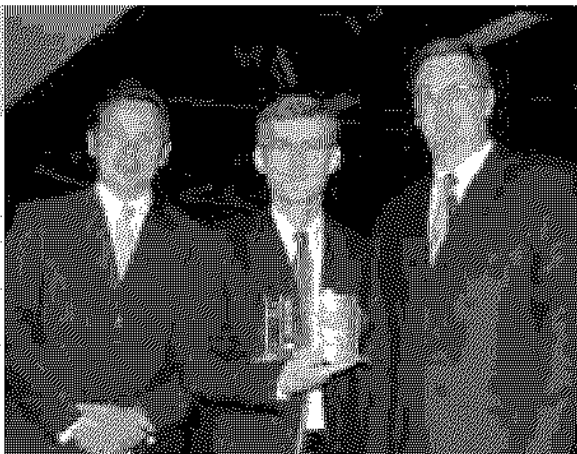
Strong sales and growth in values have continued this year, particularly in relation to the canal lots which comprise 'The Islands at Mariners Cove', where sales and values exceeded budget targets. A record price of \$650,000 was achieved for a large lot overlooking the Creery Wetlands Nature Reserve and waterways of the Peel Inlet and the average price of canal lots, which was under \$200,000 at the commencement of the project, is now in excess of \$400,000. The traditional lots within Mariners Cove also enjoy a close relationship with the wetlands reserve and have also experienced a continued increase in value this

year, with new parklands with quality landscaping being established in the most recent stages.

In less than 7 years of marketing, more than 500 lots have been sold, and there has been consistent growth in the rate of sale and the prices achieved for both canal lots and traditional lots over this period.

With its latest award wins, the project continues to be seen as something of a national icon of quality waterfront residential development and is regularly visited by interstate property professionals on their visits to the West. It is also now widely recognised as an important asset to the wider Mandurah community with increasing visitations to the Creery Wetlands Nature Reserve, the conservation and rehabilitation of which has been made possible by this outstanding development.

Paul Sadleir accepts the award



The Islands' first residents





Port Mandurah – one more chapter

With the emergence of Mariners Cove as the company's flagship development, one could be excused for forgetting the past success of Port Mandurah, the canal development which really put Cedar Woods – and Mandurah – on the map and on the path to success.

The last remaining development site within Port Mandurah, Sutton's Farm, is the site of the three original heritage listed limestone and iron farm buildings which the company commenced the external restoration of a little more than a year ago. This year, the company was successful in obtaining a Federal Government Grant to undertake internal restoration works and these works will be completed next year.

The site is earmarked for a \$20m medium density residential waterfront development which will intertwine with and be designed in harmony with the heritage listed farm buildings.

The company's track record at Port Mandurah and its reputation for consistently raising its standards of development means that there is already considerable interest in the purchase of housing within this development, which is expected to be released to the market during 2006.



RESIDENTIAL SMART GROWTH

Developing sustainable communities

In a year where the notion of 'sustainable development' has emerged as the latest measuring stick for the property development industry, Cedar Woods has embraced this concept in anticipation of increased market awareness and preference for a more sustainable lifestyle.

In the knowledge that sustainable development requires a balance of economic, environmental and social imperatives, the company has this year balanced the economic success and environmental responsibility of its major estates with a strong commitment to the social imperative of community creation.

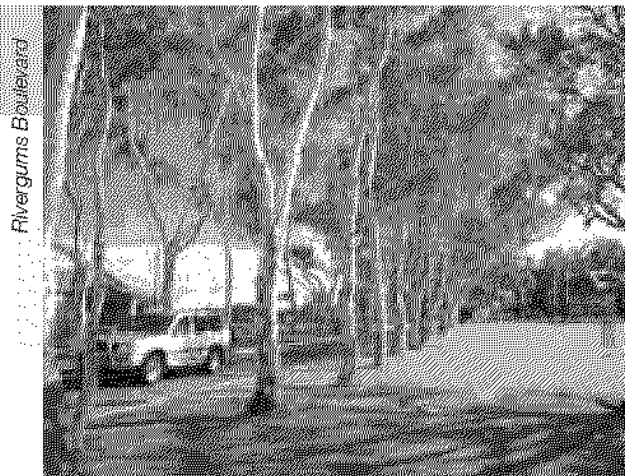
The company's commitment to environmentally responsible development has seen in The Rivergums and The Kestrels the production of estates which attract a buyer interested in a 'greener' lifestyle and a living environment which fits comfortably within the natural environment, and which offers the opportunity for more energy efficient living. This year the company

has rewarded buyers at the Rivergums with their first company funded residents' social function, a wetland awareness and frog education experience quirkily dubbed 'Things that go jump in the night'. The event was a stunning success, bringing great joy to the younger set and the young at heart, and the beginnings of a strong local community at the Rivergums was forged.

While The Kestrels is yet to welcome its first residents, numerous homes are under construction and an inaugural residents' event is planned around Easter 2006 when a number of families will have settled in or, as the promotional material suggests, 'nested' at The Kestrels. In the meantime, the estate has received massive exposure through its selection as the site of this year's 'Dream Home' promotion, a multi-media promotion whereby a lucky contestant won a new house and a Kestrels lot with the turn of a lucky door key. The event drew around 150,000 entries from around the State and generated huge interest in the fledgling estate, which has sold almost 120 lots in less than 18 months of marketing over three stages.

The strong first year of sales at The Rivergums was backed up with another huge year, with another 130 sales in 2004/05 taking total sales in the project over 300 since commencement. The project is now in its fourth stage of development and a fifth stage is to be released for 'off the plan' sales early in 2005/06 to keep pace with the seemingly endless demand.

The new homes display village is complete and open for business and each of the display builders has secured GreenSmart accreditation for their display house and utilised 'Waterwise' principles in their gardens, enabling the village as a whole to achieve Water Corporation accreditation as one of Perth's first Waterwise Display Villages. As such, the village educates prospective purchasers at The Rivergums in energy efficient principles. A new homes display village is also under construction at The Kestrels, the first homes opening late in the financial year and the remainder to follow shortly thereafter.



Rivergums Boulevard



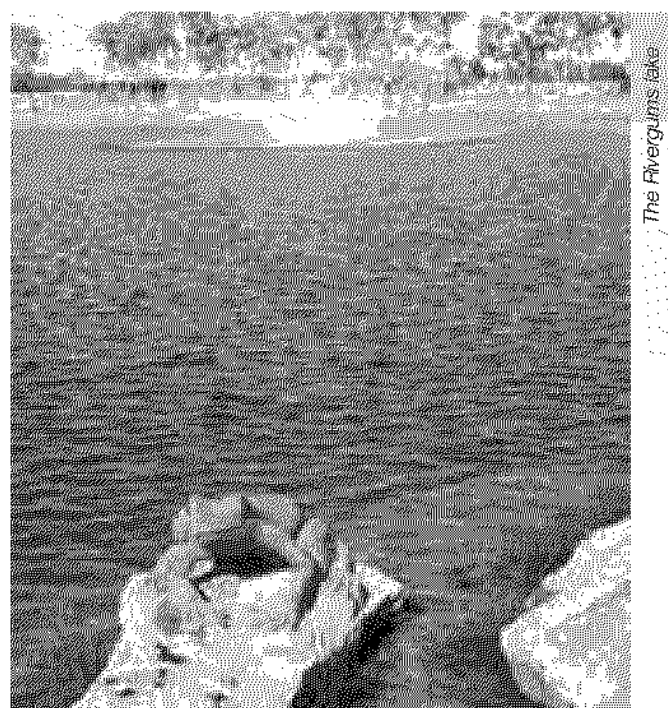
Parkland at The Kestrels

In both estates, house and land packages were offered to the public late in the financial year and the results of these initiatives are expected to be seen early in the new financial year. At The Rivergums, a selection of 8 lakefront townhouses have been released for sale "off the plan", as have a range of cottage lot houses around the central park at The Kestrels.

New projects on the way

While the local rezoning and subdivision approval has taken longer to achieve than expected, the long awaited expansion of the highly successful Helena Valley Private Estate, which put the company on the map in the mid-1990s, is expected to be marketed in the new financial year.

The company's longer term future has been assured with the acquisition of new landholdings in the Forrestdale area in Perth's south east and several beachfront apartment sites. The Forrestdale land lies proximate to land under development by other developers and is therefore seen as a mid term prospect.



The Rivergums lake

MIXED USE / MIXED DENSITY

*Diversity comes in different forms,
densities and places*

Once again this year the company has made significant progress towards a more diverse portfolio of projects, through the further advancement of proposals for its transit-oriented mixed use project at Laverton in Victoria, the release of its mixed density residential project at Canning Vale south of Perth and the release and sale of its commercial/industrial project at Balcatta north of Perth.

The Victorian office of Cedar Woods has continued to work on assessing further acquisition opportunities and in progressing the planning for the company's significant Victorian landholding at Laverton. The 275 ha landholding has been master planned into a major residential community with a mixed-use activity centre integrated with proposed public transport infrastructure. The landholding is one of the largest single ownership parcels on the main transport network in Melbourne and is only 18 km from the city. Residential development is filling in around the site to both the north and south.

The delivery of planned infrastructure, which will directly service the site and connect it to surrounding areas and the freeway, is progressing steadily. Most importantly, the design work for the new freeway interchange is almost complete and the State Government will soon begin delivery of that project. Design work has also progressed for the proposed new railway station that is positioned at the centre of the Laverton site's frontage to the Princes Freeway.

The infrastructure design work has been coordinated across government departments to produce a major

transit interchange to accommodate cars, trains, buses and pedestrians. The proposed activity centre sits directly adjacent to this node to maximise activity and usage of the transit facilities. Following an extensive design process, the planning documentation required for the planning scheme amendment has been completed and lodged with authorities for assessment.

The Laverton site will continue to provide a sound foundation for the Victorian office with cashflows provided over a 10-15 year period. In line with the growth intentions of the Victorian office, the company continues to assess further sites for acquisition. Sites that fit with the overall company strategy and that meet strict return and selection criteria are being pursued. The residential market in Victoria has softened over the past 12 months but is expected to pick up around 2007/2008. Melbourne's west, where the Laverton holding is situated, continues to perform well relative to the rest of the market, driven by proximity to the city and affordability.



Aerial view of Laverton



Cambridge Waters cottage housing. Artist's impression

Meanwhile, back in Perth

The company's mixed density residential project at Cambridge Waters, Canning Vale in Perth's inner south eastern suburbs has progressed substantially during the year. The concept plan for a range of terrace and cottage lots, townhouses and apartments was approved and development work commenced early 2005.

Aimed at providing a wider choice of lifestyles for the maturing Canning Vale community, a pre-marketing campaign has generated a long enquiry list and confirmed our perception of the market for this product in this location.

The company's first foray into industrial development has proved a huge success. A plan of subdivision for the Axis Balcatta was approved late 2004. Development commenced immediately and the subdivided lots, which were expected to sell over two financial years, have now sold out.



Cambridge Waters apartments. Artist's impression

BUILT FORM

Reaching for the skies

While the company's prime focus continues to be land subdivision, the success of its first few ventures into built form development has led to further opportunities in this sector.

The company continues to consider 'value-add' opportunities within its own projects with its first townhouse project at The Rivergums and plans advanced for Sutton's Farm at Port Mandurah and another waterfront townhouse development within The Islands at Mariners Cove, both of which will build on the experience and success of The Promontory, Port Mandurah.

The Sutton's Farm site within the Port Mandurah Canals development is occupied by three heritage listed buildings, which comprise the farm buildings from the original landholding. During the year a proposal for the redevelopment of this site compatible with the existing buildings has received in principle support from the Heritage Council of WA.



Nautilus Apartments, Rockingham. Artist's impression

At Mariners Cove, three sites have been identified within the canal zone as being suitable for waterfront town house development and the required density change has been secured through a change to the project's outline development plan. A scheme for the first of these sites is expected to be developed and lodged for development approval during the first half of FY2006 and released for 'off the plan' sales over the coming summer.

Beachfront opportunities unique to Perth?

On the strength of the successful marketing of Aria Apartments and Stage 1 of the Nautilus Apartments on the Rockingham beachfront, some 30 minutes south of Perth, the company has sought out and acquired additional beach front apartment sites in Rockingham and Mandurah which, given the controversy surrounding the majority of beachfront proposals in other parts of Perth, would appear to vindicate the company's pioneering in these areas.

With all 32 apartments at Aria Apartments on the Rockingham beachfront selling off-the-plan last financial year, construction was completed this year and settlements commenced in June. An official opening by the Mayor and a pre-settlement party for the incoming residents were held in May and, with the majority of buyers being owner-occupiers from the local beachfront suburbs, this outstanding pre-construction sales success is yet another endorsement of the company's ability to identify and capitalise on niche markets.

Construction of Nautilus apartments is now well under way and is expected to be completed by the end of 2006.

Late in the financial year, the company secured a site which faces due north on a prime stretch of Rockingham's premier beach, Palm Beach, and a similarly spectacular site at Hall's Head in Mandurah. Plans will be lodged for a prestige apartment development with limited commercial space at ground level on the Palm Beach



Aria Apartments, Rockingham

site early in the new financial year and the project is likely to be pre-sold over the coming summer. The Hall's Head site comes with an approved set of plans for prestige apartments above ground floor commercial and is also expected to be pre-sold over the coming summer.

A new venture tees off

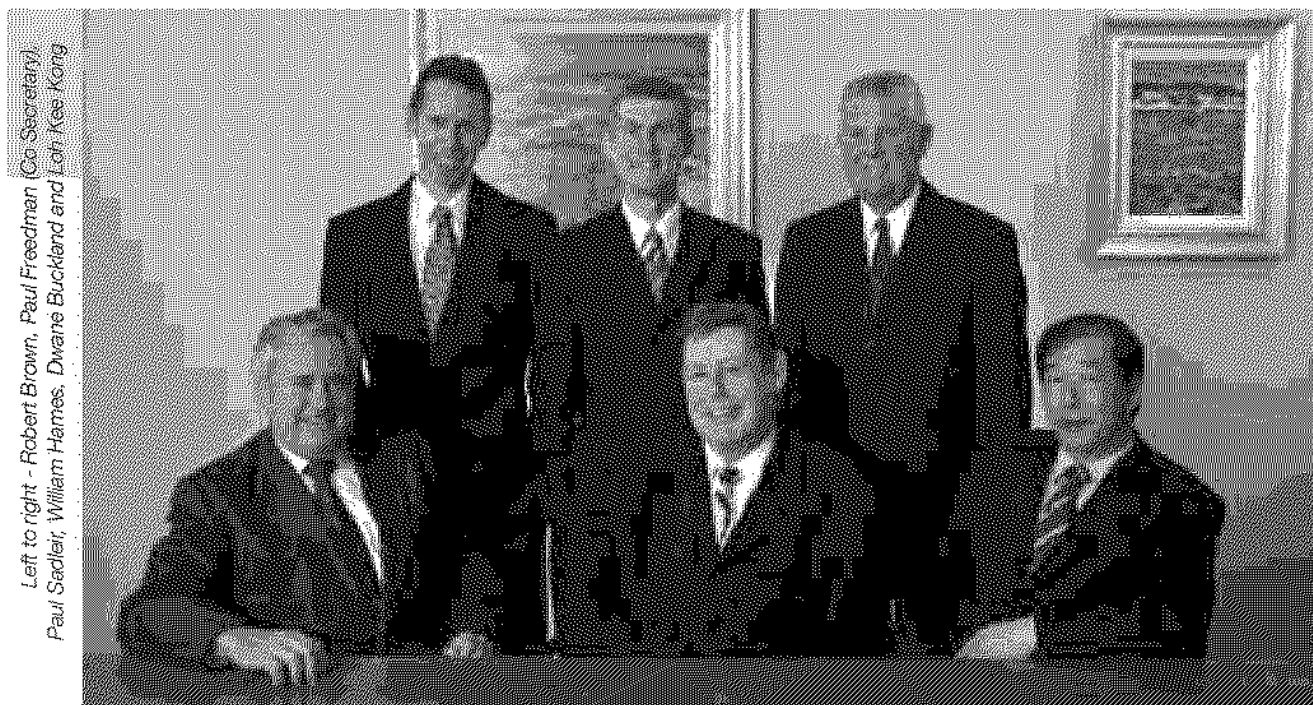
During the year the company entered into a joint venture with the Mandurah Country Club, whose private golf club is also situated in Hall's Head, Mandurah, for the development of an exclusive enclave of 25 golf course frontage townhouses. Early expressions of interest, primarily

from club members, are encouraging and the project is expected to achieve approvals early in the financial year and also be pre-sold over the coming summer.



The Fairways, Mandurah Country Club. Artist's impression

BOARD OF DIRECTORS



Left to right - Robert Brown, Paul Freedman (Co Secretary), Paul Sadler, William Hames, Dwane Buckland and Loh Kee Kong

Mr William G Hames

B Arch (Hons) MCU (Harvard)
LFRAIA, MPIA, FAPI (Econ)

- Chairman of the Board of Directors, Non-Executive Director
- Member of the Nominations Committee

Mr Hames is a co-founder of Cedar Woods Properties Limited. He is an architect and town planner by profession, and received a Masters Degree in City Planning and Urban Design from the Harvard Graduate School of Design, at Harvard University in Boston. He worked in the US property development market before returning to Australia in 1975 and establishing Hames Sharley Australia, an Architectural and Town Planning Consulting company which has offices in Australia and New Zealand. Mr Hames has served as a director for 15 years.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Mr Robert S Brown

MAICD, AIFS

- Deputy Chairman of the Board of Directors, Non-Executive Director
- Member of the Audit and Risk Management Committee
- Member of the Human Resources and Remuneration Committee
- Member of the Nominations Committee

Mr Brown is Executive Chairman of Westland Housing Society, Director of Australian Wine Holdings Ltd, and Past President of the Federation of Building Societies of W.A. He has participated in and chaired various Western Australian government advisory committees related to the housing industry. Mr Brown is Executive Chairman of several family companies involved in various business activities. Mr Brown has served as a director for 17 years.

Other current public company directorships:

Australian Wine Holdings Ltd.

Former public company directorships in the last 3 years:

Nil.



Mr Dwane P Buckland

BA (Econ), FAICD

- Independent, Non-Executive Director
- Chairman of the Audit and Risk Management Committee
- Chairman of the Human Resources and Remuneration Committee
- Chairman of the Nominations Committee

Mr Buckland is a businessman with a wide range of experience in public companies. He is the former Managing Director of Metro Industries Ltd, and a former director of Alinta Limited. Mr Buckland has served as a director for 11 years.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Mr Loh Kee Kong

B Acc, CPA

- Non-Executive Director
- Member of the Audit and Risk Management Committee

Mr Loh has a degree in accountancy from the University of Singapore and is also a member of the Institute of Certified Public Accountants of Singapore. Mr Loh is also Executive Director of Chuan Hup Holdings Ltd, PCI Ltd and CH Offshore Ltd which are publicly listed companies in Singapore, where he is a resident. Mr Loh has served as a director for 10 years.

Other current public company directorships:

Chuan Hup Holdings Ltd, CH Offshore Ltd, PCI Limited (all incorporated in Singapore), Finbar International Limited.

Former public company directorships in the last 3 years:

PT Rig Tenders Indonesia Tbk, (resigned 1 May 2005).

Mr Paul S Sadleir

BE, MBA, MAICD, AAPI

- Managing Director, Executive Director

Mr Sadleir has extensive experience in the property sector and previously was manager of the Bunnings Warehouse Property Trust. Mr Sadleir holds a Master of Business Administration and Bachelor of Engineering degrees from the University of Western Australia and has completed a number of senior management programs, including the AIM – Harvard Business School Executive Forum. He is also a member of the Australian Institute of Company Directors, and an affiliate of the Australian Property Institute. Mr Sadleir brings to the Company extensive skills in strategic planning, portfolio management, acquisition analysis, equity and finance raising, and investor relations management. Mr Sadleir became a director on 1 November 2003.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Mr Stanley J Brown

- Alternate director for Mr Robert S Brown

Mr Brown is a businessman with a wide range of family business interests.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Company Secretary

The Company Secretary is Mr Paul S Freedman, BSc, CA. Mr Freedman was appointed to the position in 1998. He is a Chartered Accountant and has a background of over 10 years in financial management in the property industry, preceded by employment in senior roles with major accountancy firms in Australia and the United Kingdom.

CORPORATE GOVERNANCE STATEMENT

Cedar Woods Properties Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

An extensive review of the Company's corporate governance framework was completed in February 2004 in light of the Best Practice Recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. Changes made to the Company's corporate governance framework as a result of that review were referred to in the Corporate Governance Statement in the 2004 annual report.

Where the Company's procedures are not in compliance with the Best Practice Recommendations, this is referred to below. It is noted that the Best Practice Recommendations are not compulsory for listed companies but that an explanation is required where compliance is not achieved.

The Board of Directors

The Board is accountable to shareholders for the performance of the company. The Board sets the company's strategic direction and delegates responsibility for the management of the company to the Managing Director. The company's strategic plan is prepared by management and is reviewed annually by the Board at a special Board meeting.

The Board operates in accordance with the broad principles set out in its charter which is available on the Company website. The Charter details the Board's composition and responsibilities.

Composition of the Board

The charter states:

- The Board should comprise between 3 and 10 directors.
- The Board should comprise directors with a broad range of skills and experience that are relevant to the property development industry so that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business.
- A majority of the Board should be non-executive.
- The Chairman is elected by the full Board.

At present, having regard to the size of the Company and the present composition of the Board, the Board does not consider it necessary for a majority of the directors to be independent, as required by Best Practice Recommendation 2.1. However, future appointments to the Board will be made having regard to this recommendation.

The Board will make future appointments for the position of Chairperson having regard to the desirability of appointing an independent director to the position, subject to the director having satisfied other eligibility criteria established by the Board at the time of appointment.

The Company's constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.



Board responsibilities

The responsibilities of the Board include:

- Setting the company's values and standards of conduct and ensuring these are adhered to in the interests of all stakeholders.
- Approving policies, strategies, budgets, and plans.
- Assessing performance against strategies to monitor both the suitability of those strategies and the performance of management and the Board itself.
- Reviewing operating information to understand the company's position, and approving financial and other reporting.
- Identifying areas of significant business risk and ensuring systems and procedures are in place to manage those risks.
- Considering management recommendations on key issues – including acquisitions, funding and significant capital expenditure.
- Ensuring that the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.
- Appointing, terminating and reviewing the performance of the Managing Director.
- Ratifying the appointment and, where appropriate, removal of the Chief Financial Officer and the Company Secretary.
- Reporting to shareholders.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independence status are set out in the directors' report under the heading 'Information on Directors'. There are four non-executive directors, one of whom is deemed independent under the principles set out below. There is one executive director who is the Managing Director. In addition there is one non-executive alternate director, although he has not acted during the year.

Directors' independence

In February 2004 the Board adopted the definition of independence from the Australian Stock Exchange Principles of Good Corporate Governance and Best Practice Recommendations. These stipulate that an independent director is a non-executive director and:

- Is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company, where substantial shareholder is defined by section 9 of the Corporations Act.
- Within the last three years has not been employed in an executive capacity by the company or group, or been a director after ceasing to hold any such employment.
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the company or group, or an employee associated with the service provided.
- Is not a material supplier or customer of the company or group, or an officer of or otherwise associated directly with a material supplier or customer.
- Has no material contractual relationship with the company or another group member other than as a director of the company.
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of \$100,000 in any one financial year is considered material for these purposes. Purchases of the company's products by directors under normal terms and conditions, and director's fees, shall ordinarily be ignored for the purpose of the materiality test.

A director will not be considered independent if he or she has served on the Board for a period exceeding 12 years.

CORPORATE GOVERNANCE STATEMENT (cont.)

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The Managing Director is responsible for implementing strategies and policies. The Board charter specifies that the Chairman cannot be the Managing Director or a former Managing Director of the Company.

The Chairman meets regularly with the Managing Director.

Commitment

The Board held 9 Board meetings during the year, including a special meeting to consider the Corporate Plan.

In addition, all of the non-executive directors are members of Board committees and the number of Board committee meetings attended is shown in the directors' report.

Although the Company does not prevent executive directors from accepting appointments outside the Company, no appointments of this nature were accepted or performed during the year ended 30 June 2005.

Prior to appointment, non-executive directors are required to confirm that they will have sufficient time available to properly discharge their responsibilities to the Company. The annual performance assessment of Board members also addresses this issue.

Conflict of interests

Should entities connected with the directors have business dealings with the economic entity during the year, the directors concerned declare their interests in those dealings and take no part in decisions relating to them. Such business dealings are disclosed in Note 34 to the financial statements.

Independent professional advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

Performance assessment

The Board undertakes an annual self-assessment of its performance and that of its committees. The assessment includes a review of the Board charter, Board composition, committee structure and functions of the Board. Each Board committee also undertakes an annual self-assessment of its performance and achievement of committee objectives.

Part of the performance evaluation of the Board is to review the independence of directors and ensure directors collectively have the appropriate mix of skills required to maximise their effectiveness and ensure the company is able to meet its goals and objectives. The Board is satisfied that it is discharging its obligations and that the company is well positioned to continue to meet its goals and objectives.

Details of policies in relation to the Board and senior executive performance assessment are available on the company website www.cedarwoods.com.au.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. During the year the following committees were in operation:

- Nomination Committee
- Human Resources & Remuneration Committee
- Audit & Risk Management Committee



Nomination committee

The nomination committee consists of the following non-executive directors:

DP Buckland (Chairman)
RS Brown
WG Hames

At present, having regard to the size of the Company and the present composition of the Board, the Board does not consider it necessary for this committee to be comprised of a majority of independent directors, as required by Best Practice Recommendation 2.4.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The main responsibilities of the committee are:

- Assessing the skills required on the Board.
- From time to time assessing the extent to which the required skills are represented on the Board.
- Establishing processes for the identification of candidates for appointment to the Board.
- Establishing eligibility requirements for candidates for appointment to the Board including a policy with respect to other commitments.
- Proposing candidates for board vacancies.
- Review of Board succession plans.
- Implementing processes for the induction of new non-executive Directors to the Company and processes for continuing education of Directors.

When the need for a new director is identified or an existing director is required to stand for re-election, the nomination committee reviews the range of skills, experience and expertise on the Board, identifies its needs and if required prepares a short list of candidates with appropriate skills and experience. Where necessary, independent search consultants may be engaged.

The full Board will make appointments to the Board, and these candidates must stand for re-election at the next annual general meeting. Notices of meeting for the election

of directors comply with the ASX Corporate Governance Council's Best Practice Recommendations.

New directors are provided with a letter of appointment setting out the responsibilities, rights and the terms and conditions of their employment. They are also provided with a copy of the Corporate Governance framework including the Code of Conduct. A formal induction is held for new non-executive directors which covers financial, operational and risk management issues.

Human resources and remuneration committee

The human resources and remuneration committee consists of the following non-executive directors:

DP Buckland (Chairman)
RS Brown

At present, having regard to the size of the Company and the present composition of the Board, the Board does not consider it necessary for there to be 3 members of this committee, with a majority of the directors independent, as required by Best Practice Recommendation 9.2.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The committee operates in accordance with its charter which is available on the company website.

The Human Resources and Remuneration Committee makes recommendations to the full Board on remuneration packages and other terms of employment for directors and senior executives.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, relevant comparative information and independent expert advice. Remuneration packages which include base salary, superannuation and fringe benefits are set at levels that are intended to attract and retain executives capable of managing the consolidated

CORPORATE GOVERNANCE STATEMENT (cont.)

entity's specialised operations. Performance related bonuses are available to executives based on the performance of the company and satisfaction of personal objectives established at the start of the financial year. Certain employees are eligible to participate in the Employee Share Scheme as part of the performance related bonus.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The Committee is also charged with the responsibility of setting the recruitment and termination policies and practices of the company and making contributions in regard to executive succession, planning and promotions.

Further information on directors' and executives' remuneration is set out in note 33 to the financial statements.

Audit and risk management committee

The audit and risk management committee consists of the following non-executive directors:

DP Buckland (Chairman)
RS Brown
LK Kong

Under Australian Stock Exchange listing rule 12.7 the Company is not required to have an Audit Committee as it is not included in the S&P All Ordinaries Index. Nevertheless, the Company has assessed its procedures against the requirements set out in the Best Practice Recommendations as they relate to Audit Committees.

At present, having regard to the size of the Company and the present composition of the Board, the Board does not consider it necessary for this committee to be comprised of a majority of independent directors, as required by Best Practice Recommendation 4.3.

Details of these directors' qualifications, experience and attendance at committee meetings are set out in the directors' report.

The audit committee collectively has appropriate financial expertise and a working knowledge of the property industry.

The committee operates in accordance with its charter which is available on the company website.

The main responsibilities of the committee are to:

- Review and report to the Board on the annual and half-year report and financial statements and supporting management commentary.
- Review the accounting policies of the consolidated entity.
- Review the effectiveness of the control environment including risk management, safe practices policies, environmental policies and policies in respect to the disbursement of funds.
- Review the adequacy of information provided by management to the Board of Directors.
- Review the compliance with statutory and Regulatory requirements.
- Review the annual budget and report accordingly to the Board of Directors.
- Review risk management information prepared by management and the annual and half yearly risk management reports.
- Administer the appointment and terms of engagement of the external auditor and review the scope and quality of the audit, and the independence and competence of the auditor.
- Report to the Board on matters relevant to the committee's roles and responsibilities.

In fulfilling its responsibilities the committee meets with the external auditors at least twice a year, more frequently if necessary. During these meetings the auditors meet with the committee without the presence of senior management.



The company's auditors have a clear line of direct communication at any time to either the chairman of the audit and risk management committee or the chairman of the Board.

The committee has authority, within the scope of its responsibilities, to:

- Seek any information it requires from any employee or external party.
- Obtain external legal or other independent professional advice.

The committee reports to the full Board and relevant papers and minutes are provided to all directors.

Risk assessment and management

The Board ultimately has responsibility for internal compliance and control. The Board has established the Audit and Risk Management Committee as responsible for oversight and ensuring that internal control systems are in place to monitor and manage risk.

Each half-year management is required to prepare a report of the current and future risks facing the consolidated entity, and the strategies or controls in place to mitigate those risks. A review is made of the performance of those controls over the half-year, and an assessment made of their effectiveness. Where required, improvements in controls are recommended. This report is reviewed by the Audit and risk management committee and then presented to the full Board. Recommendations are implemented upon approval.

In addition the Board requires that each major proposal submitted to the Board for a decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

Each year the Managing Director and the Chief Financial Officer provide a written statement to the Board that the company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results are in accordance with relevant accounting standards. They also confirm that the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the company's risk management and internal compliance control system is operating efficiently and effectively in all material respects.

External auditors

The company and audit and risk management committee policy is to appoint external auditors who demonstrate competence and independence. The performance of the external auditor is reviewed annually. PricewaterhouseCoopers were appointed as the external auditors in 1991. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. A new engagement partner was introduced for the year ended 30 June 2003.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in note 35 in the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board.

CORPORATE GOVERNANCE STATEMENT (cont.)

Code of Conduct

The company has developed a statement of values and a Code of Conduct (the Code). The Code is regularly updated to ensure it reflects the high standards of behaviour and professionalism and the practices necessary to maintain the company's integrity.

A summary of the main provisions of the Code is available on the company website.

The Code contains details of the company's policy with respect to trading of the company's securities by directors or employees.

A summary of the trading policy as it applies to directors is also contained in the Board charter which is also available on the company website.

Continuous disclosure and shareholder communication

The company is committed to complying with its continuous disclosure obligations and seeks to provide relevant and timely information to shareholders and investors through ASX releases, written reports and the company's website.

The company secretary has been appointed as the person responsible for communications with the Australian

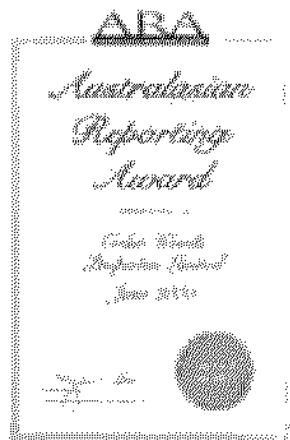
Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX, brokers, shareholders, media and the public.

The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities. Such policies and procedures include mechanisms for ensuring relevant matters are communicated and that the information is released in a timely and balanced manner.

All information disclosed to the ASX is posted on the company's website as soon as possible. When analysts are briefed on aspects of the company's operations the material used in the presentation is first released to the ASX.

The company's continuous disclosure policy is available on the company website.

All shareholders are entitled to receive a copy of the company's annual report and half-year newsletter. In addition the company seeks to provide opportunities for shareholders to participate through electronic means. Please refer to the Investor Relations section of the annual report.



In June 2005, Cedar Woods received a prestigious Silver Award from the Australasian Reporting Awards Inc. in recognition of the high quality of its 2004 Annual Report to shareholders.



Financial Statements

for the year ended 30 June 2005



This financial report covers both Cedar Woods Properties Limited as an individual entity and the consolidated entity consisting of Cedar Woods Properties Limited and its controlled entities. Cedar Woods Properties Limited is a company limited by shares, incorporated and domiciled in Australia. A description of the consolidated entity's operations and its principal activities is included in the Review of Operations in the directors' report.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Cedar Woods Properties Limited and the entities it controlled at the end of, or during, the year ended 30 June 2005.

1. Directors

The following persons held office as directors of Cedar Woods Properties Limited during the whole of the financial year and up to the date of this report:

W G Hames (Chairman)
R S Brown (Deputy Chairman)
D P Buckland
Loh Kee Kong
P S Sadleir (Managing Director)
S J Brown (Alternate for R S Brown)

2. Principal activities

The principal continuing activities of the consolidated entity in the course of the year ended 30 June 2005 were that of property investor and developer and no significant change in the nature of those activities took place during the year.

3. Consolidated result

The result of the consolidated entity for the year ended 30 June 2005 was as follows:

	2005 \$'000	2004 \$'000
Revenue from ordinary activities	75,130	57,189
Profit from ordinary activities before income tax expense	17,642	14,674
Income tax expense	5,242	4,421
Net profit attributable to members of Cedar Woods Properties Limited	12,400	10,253

4. Earnings per share

	Cents	Cents
Basic and diluted earnings per share	23.3	20.2

5. Dividend - Cedar Woods Properties Limited

Dividends paid to members during the financial year were as follows:

	\$'000	\$'000
Final fully franked ordinary dividend for the year ended 30 June 2004 of 10.0 cents (2003 - 7.0 cents) per share paid on 22 October 2004 (2003 - 24 October 2003)	5,325	3,481

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of \$6,390,358 (12 cents per share) to be paid on 21 October 2005.

DIRECTORS' REPORT (cont.)

6. Review of operations

Please refer to the detailed review of operations on pages 12 to 19 of this Annual Report.

7. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

8. Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2005 that have significantly affected or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

9. Likely developments & expected results of operations

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

10. Information on Directors

Mr William G Hames, B Arch (Hons) MCU (Harvard) LFRAIA, MPPIA, FAPI (Econ)

- Chairman of the Board of Directors, Non-Executive Director
- Member of the Nominations Committee

Mr Hames is a co-founder of Cedar Woods Properties Limited. He is an architect and town planner by profession, and received a Masters Degree in City Planning and Urban Design from the Harvard Graduate School of Design, at Harvard University in Boston. He worked in the US property development market before returning to Australia in 1975 and establishing Hames Sharley Australia, an Architectural and Town Planning Consulting company which has offices in Australia and New Zealand. Mr Hames has served as a director for 15 years.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Mr Robert S Brown, MAICD, AIFS

- Deputy Chairman of the Board of Directors, Non-Executive Director
- Member of the Audit and Risk Management Committee
- Member of the Human Resources and Remuneration Committee
- Member of the Nominations Committee

Mr Brown is Executive Chairman of Westland Housing Society, Director of Australian Wine Holdings Ltd, and Past President of the Federation of Building Societies of W.A. He has participated in and chaired various Western Australian government advisory committees related to the housing industry. Mr Brown is Executive Chairman of several family companies involved in various business activities. Mr Brown has served as a director for 17 years.

Other current public company directorships:

Australian Wine Holdings Ltd.

Former public company directorships in the last 3 years:

Nil.



Mr Dwane P Buckland, BA (Econ), FAICD

- Independent, Non-Executive Director
- Chairman of the Audit and Risk Management Committee
- Chairman of the Human Resources and Remuneration Committee
- Chairman of the Nominations Committee

Mr Buckland is a businessman with a wide range of experience in public companies. He is the former Managing Director of Metro Industries Ltd, and a former director of Alinta Limited. Mr Buckland has served as a director for 11 years.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Mr Loh Kee Kong, B Acc, CPA

- Non-Executive Director
- Member of the Audit and Risk Management Committee

Mr Loh has a degree in accountancy from the University of Singapore and is also a member of the Institute of Certified Public Accountants of Singapore. Mr Loh is also Executive Director of Chuan Hup Holdings Ltd, PCI Ltd and CH Offshore Ltd which are publicly listed companies in Singapore, where he is a resident. Mr Loh has served as a director for 10 years.

Other current public company directorships:

Chuan Hup Holdings Ltd, CH Offshore Ltd, PCI Limited (all incorporated in Singapore), Finbar International Limited.

Former public company directorships in the last 3 years:

PT Rig Tenders Indonesia Tbk, (resigned 1 May 2005).

Mr Paul S Sadleir, BE, MBA, MAICD, AAPI

- Managing Director, Executive Director

Mr Sadleir has extensive experience in the property sector and previously was manager of the Bunnings Warehouse Property Trust. Mr Sadleir holds a Master of Business Administration and Bachelor of Engineering degrees from the University of Western Australia and has completed a number of senior management programs, including the AIM – Harvard Business School Executive Forum. He is also a member of the Australian Institute of Company Directors, and an affiliate of the Australian Property Institute. Mr Sadleir brings to the Company extensive skills in strategic planning, portfolio management, acquisition analysis, equity and finance raising, and investor relations management. Mr Sadleir became a director on 1 November 2003.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Mr Stanley J Brown

- Alternate director for Mr Robert S Brown

Mr Brown is a businessman with a wide range of family business interests.

Other current public company directorships and former public company directorships in the last 3 years:

Nil.

Company Secretary

The Company Secretary is Mr Paul S Freedman, BSc, CA. Mr Freedman was appointed to the position in 1998. He is a Chartered Accountant and has a background of over 10 years in financial management in the property industry, preceded by employment in senior roles with major accountancy firms in Australia and the United Kingdom.

DIRECTORS' REPORT (cont.)

11. Shares issued on the exercise of options

No share options were in existence during the year and none have been issued up to the date of this report.

12. Directors' interests in shares

Directors' relevant interests in shares of Cedar Woods Properties Limited at the date of this report, as defined by sections 608 and 609 of the Corporations Act 2001, are as follows:

Director	Interest in Ordinary Shares
William G Hames	7,498,342
Robert S Brown*	10,042,898
Dwane P Buckland	34,121
Loh Kee Kong	-
Paul S Sadleir	754,926
Stanley J Brown*	10,089,898

*RS Brown and SJ Brown have a shared interest in 10,039,898 shares.

13. Committees of the Board

As at the date of this report Cedar Woods Properties Limited had the following committees of the board:

Audit and Risk Management Committee	Human Resources & Remuneration Committee	Nominations Committee
D P Buckland (Chairman) R S Brown Loh Kee Kong	D P Buckland (Chairman) R S Brown	D P Buckland (Chairman) W G Hames R S Brown

14. Meetings of Directors

The following table sets out the numbers of meetings of the company's directors (including meetings of committees of directors) held during the year ended 30 June 2005, and the numbers of meetings attended by each director:

	Board Meetings	Meetings of Committees		
		Audit and Risk Management	Human Resources & Remuneration	Nominations
Number of meetings held:	9	3	4	1
Number of meetings attended by:				
W G Hames	9	-	-	1
R S Brown	9	3	4	1
D P Buckland	9	3	4	1
Loh Kee Kong	9	3	-	-
PS Sadleir	9	-	-	-
SJ Brown	-	-	-	-

15. Retirement, election and continuation in office of Directors

Mr R S Brown retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.



16. Remuneration report

Refer to Note 33: Directors' and Executives' Disclosures, which contains a remuneration report in accordance with section 300A of the Corporations Act.

17. Insurance of Officers

During the financial year, Cedar Woods Properties Limited paid a premium of \$33,700 to insure certain officers of the company and its controlled entities.

The officers of the company covered by the insurance policy include the directors, W G Hames, R S Brown, D P Buckland, Loh Kee Kong, P S Sadleir and the Company Secretary, P S Freedman.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and its controlled entities.

18. Environmental regulation

To the best of the directors' knowledge the company complies with the requirements of environmental legislation in respect of its developments, and obtains the planning approvals required prior to clearing or development of land under the laws of the relevant states. There have been no

instances of non-compliance during the year and up to the date of this report.

19. Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

20. Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the directors.

W G Hames - Chairman

Perth, Western Australia

19 August 2005

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Cedar Woods Properties Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cedar Woods Properties Limited and the entities it controlled during the period.



David J Smith

Partner - PricewaterhouseCoopers Perth

19 August 2005

INDEPENDENT AUDITOR'S REPORT

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Cedar Woods Properties Limited (the company) for the financial year ended 30 June 2005 included on the Cedar Woods Properties Limited web site. The company's directors are responsible for the integrity of the Cedar Woods Properties Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Cedar Woods Properties Limited:

- gives a true and fair view as required by the Corporations Act 2001 in Australia, of the financial position of Cedar Woods Properties Limited and Cedar Woods Properties Limited Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.



INDEPENDENT AUDITOR'S REPORT (CONT.)

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Cedar Woods Properties Limited (the company) and Cedar Woods Properties Limited Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding

of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

David J Smith

Partner, Perth

19 August 2005

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2005

In the directors' opinion:

- (a) The financial statements and notes set out on pages 47 to 79 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



W G Hames - Chairman

Perth, Western Australia

19 August 2005



STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	Consolidated		Parent Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Revenue from sale of land and buildings	2	74,818	56,991	-	-
Cost of sales		43,875	31,106	-	-
Gross Margin		30,943	25,885	-	-
Other revenues from ordinary activities	2	312	198	14,051	11,197
Other expenses from ordinary activities:					
Project operating costs		8,417	6,737	-	-
Occupancy		160	130	160	130
Administration		3,487	3,228	3,467	3,213
Borrowing costs expense	3	1,549	1,314	1,549	1,314
Profit from ordinary activities before related income tax expense	3	17,642	14,674	8,875	6,540
Income tax expense (credit)	4	5,242	4,421	(1,546)	(55)
Profit from ordinary activities after related income tax expense		12,400	10,253	10,421	6,595
Net profit attributable to members of Cedar Woods Properties Limited	26	12,400	10,253	10,421	6,595
Total changes in equity attributable to members of Cedar Woods Properties Limited other than those resulting from transactions with owners as owners.		12,400	10,253	10,421	6,595
Basic and diluted earnings per share	31	23.3 cents	20.2 cents		

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Note	Consolidated		Parent Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash assets	6	1,413	132	808	127
Receivables	7	36,541	19,687	14,008	8,001
Inventories	8	27,458	19,344	-	-
Other	9	784	383	15	16
Total Current Assets		66,196	39,546	14,831	8,144
NON-CURRENT ASSETS					
Receivables	10	865	978	78,832	57,469
Inventories	11	60,426	52,995	-	-
Other financial assets	12	7	5	6,008	6,006
Property, plant & equipment	13	291	342	197	258
Deferred tax asset	14	1,278	851	1,278	851
Other	15	1,407	-	-	-
Total NON-CURRENT Assets		64,274	55,171	86,315	64,584
TOTAL ASSETS		130,470	94,717	101,146	72,728
CURRENT LIABILITIES					
Payables	16	22,544	13,775	497	605
Interest bearing liabilities	17	15,869	14,989	14,919	12,571
Current tax liabilities	18	805	3,132	805	3,132
Provisions	19	3,428	2,054	85	93
Total Current Liabilities		42,646	33,950	16,306	16,401
NON-CURRENT LIABILITIES					
Payables	20	1,350	1,250	27,071	17,594
Interest bearing liability	21	26,957	8,300	21,000	8,300
Deferred tax liabilities	22	4,213	3,023	4,213	3,023
Provisions	23	347	362	-	-
Total Non-Current Liabilities		32,867	12,935	52,284	28,917
TOTAL LIABILITIES		75,513	46,885	68,590	45,318
NET ASSETS		54,957	47,832	32,556	27,410
EQUITY					
Contributed equity	24	21,940	21,890	21,940	21,890
Reserves	25	1,609	2,056	-	-
Retained profits	26	31,408	23,886	10,616	5,520
Total Equity		54,957	47,832	32,556	27,410

The above statements of financial position should be read in conjunction with the accompanying notes.



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Parent Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
– Receipts from customers (incl. GST)		64,560	57,600	2	29
– Interest received		83	72	49	45
Cash was disbursed to:					
– Payments to suppliers and employees (incl. GST)		(14,842)	(13,068)	(3,659)	(3,145)
– Payments for land and development		(48,866)	(56,026)	–	–
– Borrowing costs		(3,216)	(2,265)	(2,571)	(2,265)
– Income taxes paid		(6,805)	(5,133)	(18)	(107)
Net cash outflows from operating activities	27	(9,086)	(18,820)	(6,197)	(5,443)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		3	6	–	–
Proceeds from repayment of employee share loan		28	39	28	39
Payments for property, plant and equipment		(59)	(144)	(28)	(130)
Payments for investments		(2)	–	(2)	–
Net cash outflows from investing activities		(30)	(99)	(2)	(91)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		–	5,000	–	5,000
Share issue transaction costs		–	(38)	–	(38)
Proceeds from borrowings		45,964	23,289	35,919	20,871
Loans to related companies		–	–	(2,978)	(10,965)
Repayment of borrowings		(30,377)	(5,923)	(20,871)	(5,923)
Dividends paid	5	(5,190)	(3,382)	(5,190)	(3,382)
Net cash inflows from financing activities		10,397	18,946	6,880	5,563
Net increase in cash held		1,281	27	681	29
Cash at the beginning of the financial year		132	105	127	98
Cash at the end of the financial year	6	1,413	132	808	127
Financing arrangements	17				

The above statements of financial position should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

Except for certain assets which are at valuation, the financial statements have been prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 38.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Cedar Woods Properties Limited as at 30 June 2005 and the results of all controlled entities for the year then ended. Cedar Woods Properties Limited and its controlled entities together are referred to in this financial report as the consolidated entity. All inter-company balances and transactions are eliminated upon consolidation.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

b) Land held for development and resale

With effect from 1 July 1992, land purchased for development and resale is valued at the lower of cost and net realisable value. Cost includes acquisition and subsequent development costs, and applicable borrowing costs from 1 July 1998. All land held for development and resale is regarded as inventory and is classified as such in the balance sheet. Land is classified as current inventory only when sales are expected to result in realisation of cash within the next twelve months.

When development is completed borrowing costs and other holding costs are expensed as incurred.

Prior to 1 July 1992 the consolidated entity's land assets were classified on acquisition as non-current investments and initially recorded at cost with regular independent valuations being undertaken. Increments or decrements were reflected in the balance sheet and accounted for in accordance with Accounting Standard AASB 1041 Revaluation of Non-Current Assets. The amount remaining in the Asset Revaluation Reserve represents the balance of the net revaluation increment for land revalued prior to 1 July 1992 which is now classified as inventory and which is still held by the consolidated entity.

When the consolidated entity enters into an option to acquire land, the option fee is capitalised until the point when the entity exercises the option, at which time the option fee is included as part of inventory. Should the option not be exercised, the option fee is expensed.

c) Recognition of revenue

Revenue is recognised net of discounts and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:



Sale of land

Revenue arising from the sale of land held for resale is recognised in the statement of financial performance on the signing of a valid unconditional contract of sale. Revenue arising from unconditional sales contracts executed prior to the completion of construction is recognised by reference to the stage of completion of construction.

Interest and dividends

Interest and dividend revenue is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

d) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Non-current assets are not carried at an amount above their recoverable amount and where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount and the decrement is recognised as an expense in the net profit or loss in the reporting period. In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate. The discount rates used vary but generally range between 15 – 25% depending upon the nature of the assets.

e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate in Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of distributions from controlled entities and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision.

As a consequence, Cedar Woods Properties Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax-consolidated entities are recognised as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly owned entities joining the tax-consolidated group are measured based on their carrying amounts prior to the implementation of the tax consolidation regime.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

f) Cash

For the purpose of the Statement of Cash Flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

g) Employee entitlements

(i) Wages, salaries, annual leave.

Liabilities for wages and salaries, bonuses and annual leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Ownership-based remuneration schemes

Ownership-based remuneration is provided to employees via the Cedar Woods Properties Limited Employee Share Scheme. Information relating to this scheme is set out in note 36. No accounting entries are made in relation to the Employee Share Scheme until the shares are issued. At that time the shares are included in share capital account and the corresponding employee loans are established as receivables.

(iii) Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Superannuation

Contributions by the consolidated entity to employees' superannuation funds are charged to the statement of financial performance when they are payable. The consolidated entity does not operate any defined benefit superannuation funds.

h) Earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of Cedar Woods Properties Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

i) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

j) Depreciation

Depreciation is calculated on a straight line or diminishing value basis to write off the net cost of each item of property, plant and equipment including leased equipment over its expected useful life to the consolidated entity. The expected useful lives of items of property, plant and equipment are 3 to 15 years.

k) Leased non-current assets

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred as this represents the pattern of benefit derived from the leased assets.

l) Interest bearing liabilities and borrowing costs

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the loan for the relevant asset, in this case approximately 8% (2004: 8%). Borrowing costs include interest, line fees and establishment costs.



m) Receivables

All material contract debtors are recognised at the amounts receivable as they are due for settlement up to 12 months from the date of recognition. Collectibility of debtors is reviewed on an ongoing basis. Contracts known to be uncollectible are generally cancelled.

n) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to their acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values at the date of acquisition. The discount rate used is the applicable borrowing rate applied by the consolidated entity's financiers.

The acquisition of land is recognised when a valid unconditional purchase contract exists.

o) Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

p) Provisions

Provision for monitoring and surveys

Provision is made for the estimated liability arising from obligations in existence at balance date to statutory authorities for monitoring and surveys at the consolidated entity's land projects. The provision is not discounted to its present value as the effect of discounting is not material.

Provision for customer rebates

Provision is made for the estimated liability arising from obligations in existence at balance date to customers for the provision of landscaping and fencing rebates and other incentives.

q) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

r) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

s) Maintenance

Routine operating maintenance and repairs are charged as expenses as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

2. Revenue

	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities				
Sale of land and buildings	74,818	56,991	-	-
Revenue from outside the operating activities				
Proceeds from sale of non-current assets	3	6	-	-
Administration fee				
- Controlled Entities	-	-	-	3,135
Dividend revenue				
- Controlled Entities	-	-	14,000	8,000
- Other	1	1	1	1
Interest revenue				
- Other	83	72	49	45
Rent	61	49	-	-
Sundry revenue	164	70	1	16
	312	198	14,051	11,197
Revenue from ordinary activities	75,130	57,189	14,051	11,197

3. Profit from ordinary activities

Profit from ordinary activities before income tax expense includes the following specific expenses:

- Borrowing costs	3,216	2,125	1,549	1,314
Less: amount capitalised	1,667	811	-	-
Borrowing costs expensed	1,549	1,314	1,549	1,314
- Net loss on sale of property, plant and equipment	1	-	-	-
- Rental expense - operating lease	160	130	160	130
- Other provisions:				
Employee entitlements	159	139	159	139
Monitoring and surveys	150	158	-	-
Customer rebates	2,192	1,660	-	-
- Superannuation funds	170	183	170	183
- Depreciation of property, plant & equipment	106	87	89	72



4. Income tax

	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
Current income tax (revenue) expense	4,534	5,025	(1,517)	(4)
Deferred income tax (revenue) expense	763	(581)	(16)	(37)
Under (over) provision in prior years	(55)	(23)	(13)	(14)
	5,242	4,421	(1,546)	(55)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 14)	(427)	(428)	(17)	(37)
(Decrease) increase in deferred tax liabilities (note 22)	1,190	(153)	1	-
	763	(581)	(16)	(37)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Pre-tax profit	17,642	14,674	8,875	6,540
Tax at the Australian tax rate of 30% (2004 – 30%)	5,293	4,402	2,663	1,962
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:				
– Rebateable dividends	-	-	(4,200)	(2,400)
– Other items	4	42	4	42
Tax loss transferred to other group entities:	-	-	-	355
	5,297	4,444	(1,533)	(41)
Under (Over) provision in previous year	(55)	(23)	(13)	(14)
Income tax expense excluding impact of tax consolidation	5,242	4,421	(1,546)	(55)
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			22,766	16,134
Tax at the Australian tax rate of 30% (2004 – 30%)			6,830	4,840
Income tax expense – tax consolidated group (excluding parent entity)			6,830	4,840
Deferred tax balances of tax consolidated group entities assumed on implementation of tax consolidation			-	2,870
Compensation received from tax consolidated group entities			(6,830)	(7,710)
			-	-
Total income tax expense	5,242	4,421	(1,546)	(55)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

(c) Tax losses

At 30 June 2005 the consolidated entity and the company had no carried forward tax losses.

(d) Tax consolidation legislation

Cedar Woods Properties Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The wholly-owned entities have fully compensated Cedar Woods Properties Limited for deferred tax liabilities assumed by Cedar Woods Properties Limited since the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Cedar Woods Properties Limited. The entities have also entered into a tax sharing and

funding agreement. Under the terms of this agreement, the wholly owned entities reimburse Cedar Woods Properties Limited for any current income tax payable by Cedar Woods Properties Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and are paid by way of transfer through loans to/from controlled entities. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by Cedar Woods Properties Limited. The basis of allocation of the group's tax liability between group entities may change from year to year as a result of changes in income tax legislation and developments in financial reporting requirements.

5. DIVIDENDS – Ordinary shares

Final dividend for the year ended 30 June 2004 of 10 cents (2003 – 7 cents)
per fully paid share paid on 22 October 2004 (2003 – 24 October 2003)
Fully franked (2003 – 100% franked) based on tax paid @ 30%
Employee share plan
Total

Parent Company	
2005	2004
\$'000	\$'000
5,190	3,382
135	99
5,325	3,481
6,390	5,323

Dividends not recognised at year end

Since year end the directors have recommended the payment of a final dividend of 12 cents per ordinary share, fully franked based on tax paid at 30%. The above is the aggregate amount of the proposed dividend expected to be paid on 21 October 2005 out of retained profits at 30 June 2005, but not recognised as a liability at year end.

The franked portions of dividends proposed at 30 June 2005 will be franked from existing franking credits or from franking credits arising from the payment of income tax in the next financial year.

	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Franking credits available for the subsequent financial year on a tax-paid basis of 30%	13,171	10,942	13,171	10,942

The above amounts represent the franking accounts at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability.
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The franking credits of the parent entity include the credits transferred from wholly owned entities as a result of entering the tax consolidation regime. Franking credits of \$2,707,284 were transferred from wholly owned entities to the parent entity at the time these entities entered the tax-consolidated group on 1 July 2003.



	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

6. CURRENT ASSETS – Cash assets

Cash at bank and on hand	1,413	132	808	127
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The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	1,413	132	808	127
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7. CURRENT ASSETS – Receivables

Trade Debtors	54,711	30,552	-	-
Less: unearned income	18,196	10,877	-	-
	36,515	19,675	-	-
Other debtors	26	12	8	1
Dividends receivable	-	-	14,000	8,000
	36,541	19,687	14,008	8,001

8. CURRENT ASSETS - Inventories

Land held for resale				
- at cost	11,968	10,183	-	-
- at valuation 30 June 1992	645	920	-	-
- capitalised development costs	14,845	8,241	-	-
	27,458	19,344	-	-

Inventory values are determined in accordance with Notes 1 (b), 1 (c) and 1(l). Further information relating to current valuations is set out in Note 11.

9. CURRENT ASSETS - Other

Prepaid expenses	784	383	15	16
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10. NON-CURRENT ASSETS - Receivables

Trade Debtors	1	1	-	-
Loans – employee share scheme (note 36)	864	977	864	977
Loans – controlled entities	-	-	77,968	56,492
	865	978	78,832	57,469

Non-Current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

	Consolidated		Parent Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
11. NON-CURRENT ASSETS – Inventories				
Land held for resale				
– at cost	38,212	35,491	–	–
– at valuation 30 June 1992	2,520	3,016	–	–
– capitalised development costs	19,694	14,488	–	–
	60,426	52,995	–	–
Current inventory (note 8)	27,458	19,344	–	–
Non-current inventory – as above	60,426	52,995	–	–
Aggregate carrying amount	87,884	72,339	–	–

The carrying values are determined in accordance with notes 1(b), 1(c) and 1(l). The 1992 valuations were independent valuations which were based on current market values at that time.

The directors are confident that at balance date the current values of land holdings, for each project and in aggregate, are equal to or greater than their carrying amounts.

Non-Current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.

12. NON-CURRENT ASSETS – Other financial assets

Investments traded on organised markets – at cost

Shares in listed companies (a)	7	5	7	5
Other non-traded investments				
Shares in controlled entities (Note 30)	–	–	6,001	6,001
	7	5	6,008	6,006

(a) The market value of listed shares at 30 June 2005 was \$13,267 (2004: \$9,540)

Non-Current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.



	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

13. NON-CURRENT ASSETS - Property, plant & equipment

Buildings

- cost	63	63	-	-
- less accumulated depreciation	27	24	-	-
	36	39	-	-

Plant & Equipment

- cost	654	599	544	516
- less accumulated depreciation	399	296	347	258
	255	303	197	258
Total Property, Plant & Equipment	291	342	197	258

Non-Current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.

14. NON-CURRENT ASSET - Deferred tax asset

The balance comprises temporary differences attributable to:

Employee benefits	122	107	122	107
Provisions	1,107	697	-	-
Borrowing costs	41	45	41	45
Other	8	2	8	2
	1,278	851	171	154
Deferred tax assets relating to wholly-owned tax consolidated entities	-	-	1,107	697
Net deferred tax assets	1,278	851	1,278	851

The deferred tax expense (revenue) included in income tax expense in respect of the above temporary differences resulted from the following movements:

Deferred tax assets at 1 July 2004	851	423	154	117
Less: Deferred tax assets at 30 June 2005	1,278	851	171	154
Decrease (increase) in deferred tax assets included in income tax expense (note 4)	(427)	(428)	(17)	(37)

15. NON-CURRENT ASSETS - Other

Options over land	1,407	-	-	-
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The options may be exercised by no later than May 2006, or may be extended upon payment of further option fees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

16. CURRENT LIABILITIES – Payables

	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Trade creditors	17,163	9,992	497	398
Other creditors	5,381	3,783	-	207
	22,544	13,775	497	605

17. CURRENT LIABILITIES – Interest bearing liabilities

Bank loans – Secured	14,919	14,989	14,919	12,571
Vendors of land	950	-	-	-
	15,869	14,989	14,919	12,571

Secured liabilities

Current	14,919	14,989	14,919	12,571
Non-current (note 21)	23,957	8,300	21,000	8,300
Total secured liabilities	38,876	23,289	35,919	20,871

Security for borrowings

The consolidated entity's assets are pledged as security under fixed and floating charges.

A bank loan of \$35,918,834 provided by Suncorp Metway is secured by first registered mortgages over certain of the consolidated entity's land holdings, first registered fixed and floating charges over the assets and undertaking of Cedar Woods Properties Limited and first registered fixed and floating charges and guarantees and indemnities from applicable subsidiary entities.

A bank loan of \$2,957,504 provided by Bank of Western Australia is secured by a first mortgage over land held by Yonder Property Pty Ltd and a limited guarantee by Cedar Woods Properties Limited.

Financing Arrangements

Unrestricted access was available to the following lines of credit at balance date:

Bank facilities

Total facilities	62,750	50,000	40,000	40,000
Used at balance date	38,876	23,289	35,919	20,871
Unused at balance date	23,874	26,711	4,081	19,129

The consolidated entity has a \$40,000,000 revolving corporate loan facility with Suncorp Metway which expires on 30 November 2007. The facility is subject to annual reviews with a minimum notice period of 12 months should the bank seek repayment of the loan in circumstances where the Company is not in default. The facility conditions impose certain covenants as to the consolidated entity's shareholders equity, interest cover, revenue and valuation of property. The corporate facility provides funding for the consolidated entity's activities including acquisition and development. In addition the consolidated entity has a \$10m bank guarantee facility with Suncorp Metway subject to similar terms and conditions.

The consolidated entity has a \$22,750,000 project facility with Bank of Western Australia Ltd for the Nautilus Apartments project. It is anticipated the facility will expire during the 2007 financial year when the project is due to be completed. The facility conditions impose certain covenants as to the valuation of the property and the market value of the completed project.

The interest on the bank loans is variable and at 30 June 2005 averaged 8.19% per annum (2004 – 8.21%).



	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

18. CURRENT LIABILITIES – Current tax liabilities

Income tax	805	3,132	805	3,132
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19. CURRENT LIABILITIES – Provisions

Employee entitlements	82	76	82	76
Monitoring and surveys	213	148	-	-
Customer rebates	3,130	1,813	-	-
Sundry provisions	3	17	3	17
	3,428	2,054	85	93

Number of full and part time employees at 30 June

	25	20	25	20
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Movements in provisions are shown at note 23.

20. NON-CURRENT LIABILITIES - Payables

Trade creditors	1,350	1,250	-	-
Loans – Controlled Entities	-	-	27,071	17,594
	1,350	1,250	27,071	17,594

21. NON-CURRENT LIABILITIES – Interest bearing liabilities

Bank loans – Secured	23,957	8,300	21,000	8,300
Vendors of land	3,000	-	-	-
	26,957	8,300	21,000	8,300

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

22. NON-CURRENT LIABILITIES – Deferred tax liabilities

Provision for deferred income tax	4,213	3,023	4,213	3,023
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The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Borrowing costs	570	196	-	-
Sales awaiting settlement	2,892	1,876	-	-
Other	61	70	2	1
	3,523	2,142	2	1

Amounts recognised directly in equity

Revaluation reserve	690	881	-	-
	4,213	3,023	2	1
Deferred tax liabilities relating to wholly-owned tax consolidated entities	-	-	4,211	3,022
Net deferred tax liability	4,213	3,023	4,213	3,023

The deferred tax revenue included in income tax expense in respect of the above temporary differences resulted from the following movements:

Deferred tax liabilities at 1 July 2004	3,023	2,018	1	1
Adjustment for change in accounting policy for income tax (note 1(e))	-	1,158	-	-
	3,023	3,176	1	1
Less: Deferred tax liabilities at 30 June 2005	4,213	3,023	2	1
Decrease (Increase) in deferred tax liabilities included in income tax expense (note 4)	(1,190)	153	(1)	-

23. NON-CURRENT LIABILITIES – Provisions

Monitoring and surveys	347	362	-	-
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Movements in current and non-current provisions

Consolidated – 2005	Sundry	Customer rebates	Monitoring and surveys	Total
Carrying amount at start of year	17	1,813	510	2,340
Additional provisions required	-	2,192	150	2,342
Payments	(14)	(875)	(100)	(989)
Carrying amount at end of year	3	3,130	560	3,693

Parent Company – 2005

	Sundry
Carrying amount at start of year	17
Additional provisions required	-
Payments	(14)
Carrying amount at end of year	3



	Consolidated		Parent Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
24. Contributed equity				
Share capital at the beginning of the financial year – 53,228,355 (2004 – 49,420,256) ordinary shares			21,890	16,498
Shares issued pursuant to employee share plan 24,630 (2004 – 311,594) ordinary shares issued at \$2.03 (2004 – \$1.38) each on 8 October 2004 (2004 – 3 October 2003)			50	430
Placement of 3,496,505 ordinary shares in March and April 2004 at \$1.43 each			–	5,000
Less transaction costs arising on placement			–	(38)
Share capital at the end of the financial year – 53,252,985 (2004 – 53,228,355) ordinary shares			21,940	21,890

The share capital account includes a former share premium account of \$6,976,637.

Holders of ordinary shares are entitled to participate in dividends and the proceeds on any winding up of the company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend satisfied by the issue of new ordinary shares rather than cash. Shares are issued under the plan at a 2.5% discount to the market price. The plan was suspended throughout the 2005 and 2004 financial years.

25. Reserves

Composition:

a) Asset revaluation reserve	1,609	2,056	–	–
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Movements:

a) Asset revaluation reserve				
Balance at the beginning of the financial year	2,056	3,860	–	–
Adjustments resulting from change in accounting policy for income tax	–	(1,158)	–	–
Transfer to retained profits (note 26)	(447)	(646)	–	–
Balance at the end of the financial year	1,609	2,056	–	–

The asset revaluation reserve was used until 1992 to record increments and decrements on the revaluation of non-current assets. Refer to note 1(b).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

	Consolidated		Parent Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
26. Retained profits				
Retained profits at the beginning of the financial year	23,886	16,468	5,520	2,406
Net profit attributable to members of Cedar Woods Properties Limited	12,400	10,253	10,421	6,595
Transfers from reserves (Note 25)	447	646	-	-
Dividends provided for or paid (Note 5)	(5,325)	(3,481)	(5,325)	(3,481)
Retained profits at the end of the financial year	31,408	23,886	10,616	5,520

27. Reconciliation of profit from ordinary activities after income tax to net cash outflows from operating activities

Profit from ordinary activities after income tax	12,400	10,253	10,421	6,595
Administration fees - Controlled entities	-	-	-	(3,135)
Dividends receivable - Controlled entities	-	-	(14,000)	(8,000)
Interest capitalised - Controlled entity	-	-	(1,022)	(749)
Depreciation	106	87	89	72
Loss (Profit) on sale of non-current asset	1	(6)	-	-
Changes in operating assets and liabilities:				
Increase in provision for employee entitlements	6	17	6	17
Increase (Decrease) in provisions	1,353	1,207	(14)	(14)
Increase in inventories	(15,545)	(20,457)	-	-
Increase in options over land	(1,407)	-	-	-
Increase in deferred tax assets	(427)	(428)	(427)	(37)
Decrease in current income tax payable	(2,327)	(131)	(2,327)	(144)
Increase (Decrease) in deferred tax liability	1,190	(153)	1,190	(42)
Increase (Decrease) in prepayments	(401)	(249)	1	(1)
(Increase) Decrease in debtors	(16,854)	(6,389)	(7)	-
Increase (Decrease) in creditors	12,819	(2,571)	(107)	(5)
Net Cash Outflows from Operating Activities	(9,086)	(18,820)	(6,197)	(5,443)

28. Commitments for expenditure

Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within 1 year	190	164	159	164
Later than 1 year but not later than 5 years	391	51	346	51
	581	215	505	215

At 30 June 2005 the consolidated entity had commitments under civil works contracts for development of its residential land and apartment projects. The total amount contracted for work yet to be completed was \$21,015,438 (2004 - \$9,799,400). This work will be substantially completed in the next 12 months.



29. Segment information

The consolidated entity operates in one business segment being property investment and development (the primary reportable segment) and one geographical segment being Australia (the secondary reportable segment).

The disclosure of segment information as required by AASB 1005 Segment Reporting has been made elsewhere in this financial report. Non-cash costs consist of depreciation, details of which are disclosed in note 3.

30. Investment in controlled entities

The following controlled entities are owned 100% by Cedar Woods Properties Limited. The controlled entities are incorporated in Western Australia.

Company	Class of Shares	Equity Holding	
		2005	2004
Esplanade (Mandurah) Pty Ltd	Ordinary	100%	100%
Cranford Pty Ltd	Ordinary	100%	100%
Flametree Property Pty Ltd	Ordinary	100%	-
Gaythorne Pty Ltd	Ordinary	100%	100%
Galaway Holdings Pty Ltd	Ordinary	100%	100%
Lonnegal Property Pty Ltd	Ordinary	100%	100%
Osprey Property Pty Ltd	Ordinary	100%	-
Silhouette Property Pty Ltd	Ordinary	100%	100%
Terra Property Pty Ltd	Ordinary	100%	100%
Vintage Property Pty Ltd	Ordinary	100%	100%
Woodbrooke Property Pty Ltd	Ordinary	100%	100%
Yonder Property Pty Ltd	Ordinary	100%	100%
Zamia Property Pty Ltd	Ordinary	100%	-

31. Earnings per share

	Consolidated	
	2005	2004
Basic and diluted earnings per share (cents)	23.3	20.2
Net profit after income tax expense (\$'000)	12,400	10,253
Weighted average number of ordinary shares used as the denominator in the calculation of earnings per share	53,246,305	50,682,727

The basic and diluted earnings per share is calculated by dividing net profit after income tax expense by the weighted number of ordinary shares during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

32. Contingent liabilities

At 30 June 2005 bank guarantees totalling \$3,464,300 had been provided to various state and local authorities supporting development and maintenance commitments (2004 - \$1,824,841). Bank guarantees totalling \$5,000,000 had been provided to vendors securing future payments for land acquisitions (2004 - \$3,370,000). Bank guarantees of \$29,896 (2004 - \$21,430) had been provided pursuant to the leases of business premises.

33. Directors & executives disclosures

(a) Directors

The following persons were directors of Cedar Woods Properties Limited during the financial year:

Chairman – non-executive

Mr W G Hames

Non-executive directors

Mr R S Brown

Mr D P Buckland

Mr Loh Kee Kong

Executive directors

Mr P S Sadleir, Managing Director

(b) Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the consolidated entity ('specified executives') during the financial year:

Name	Position
Mr M Glendinning	Marketing Manager
Mr N Blackburne	Victorian State Manager
Mr P S Freedman	Chief Financial Officer
Mr K N Haustead	Development Manager
Mr P W Stannard	Acquisitions Manager

These were also the specified executives during the year ended 30 June 2004.



(c) Remuneration report

Principles used to determine the nature and amount of remuneration.

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness.
- acceptability to shareholders.
- performance linkage/alignment of executive compensation.
- transparency.
- capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has earnings per share and return on equity as core components of plan design.
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering acceptable return on assets.
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience.
- reflects competitive reward for contribution to growth in shareholder wealth.
- provides a clear structure for earning rewards.
- provides recognition for contribution.

The overall level of executive rewards takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, shareholders have received an average total annual return of 41% based on a combination of dividends and increases in the company's share price.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. Performance related bonuses are available to executives based on the earnings performance of the company measured against the objectives set in the Corporate Plan, and satisfaction of personal objectives established at the start of the year. Performance related bonuses are paid each year following the audit of the annual results. The bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels, at the discretion of the Human Resources and Remuneration Committee.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive director's fees and payments are reviewed every 2-3 years by the Board. The Board also has agreed to the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non – executive directors do not receive or participate in bonus or equity based schemes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

Directors' fees

Directors' base remuneration was last reviewed with effect from 1 July 2002, with the next review due with effect from 1 July 2005. Directors' remuneration is inclusive of additional fees paid to directors who chair a committee. Fees take into account the memberships of directors on subsidiary boards.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Executive pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short term performance incentives
- Long term incentives through participation in the Employee Share Scheme
- Other remuneration such as superannuation

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure that base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Some executives receive benefits including parking and membership of professional organisations.

Short-term incentives

Should the company achieve a pre-determined earnings per share target then a short term incentive (STI) pool is available. At present the STI pool is not available unless the company achieves 5% growth in earnings per share and 12% return on equity. Using a growth target ensures that variable reward is only available when value has been created for shareholders and when earnings growth is consistent with the Corporate Plan.

The STI pool is leveraged for performance above the threshold to provide an incentive for executive outperformance. Each executive has a target STI opportunity depending on the accountabilities of the role and impact on organisational performance. The STI pool performance targets and individual bonus opportunities for each executive are set annually by the Human Resources and Remuneration committee.

Long-term incentives

As part of performance related bonuses, certain executives are invited to participate in the Employee Share Plan. For details of the operation of the Plan please refer to note 36 of the financial statements.

Details of remuneration

Details of the remuneration of each director of Cedar Woods Properties Limited and each of the five highest paid executives of the consolidated entity, including their personally-related entities, are set out in the following tables. Cash bonuses are dependent upon the satisfaction of performance conditions as set out in the section Short-term incentives above. All other elements of remuneration in the tables are not directly related to performance.



Directors of Cedar Woods Properties Limited

Name	Cash salary and fees \$	Primary Cash bonus \$	Non-monetary benefits \$	Post Employment Superannuation \$	Total \$
WG Hames (Chairman)	65,000	-	-	5,850	70,850
RS Brown (Deputy Chairman)	50,000	-	-	4,500	54,500
DP Buckland (Non-executive Director)	35,000	-	-	3,150	38,150
Loh Kee Kong (Non-executive Director)	25,000	-	-	2,250	27,250
PS Sadleir (Managing Director)	328,097	170,775	31,264	11,585	541,721
Total	503,097	170,775	31,264	27,335	732,471

Five highest paid other executives of the consolidated entity

Name	Cash salary and fees \$	Primary Cash bonus \$	Non-monetary benefits \$	Post Employment Superannuation \$	Total \$
M Glendinning (Marketing Manager)	172,793	21,626	8,362	11,585	214,366
N Blackburne (Victorian State Manager)	155,981	21,010	6,193	11,585	194,769
P Freedman (Chief Financial Officer)	146,481	19,154	3,245	11,585	180,465
K Haustead (Development Manager)	139,407	19,616	2,487	11,585	173,095
P Stannard (Acquisitions Manager)	126,265	13,365	3,245	11,585	154,460
Total	740,927	94,771	23,532	57,925	917,155

Cash bonuses

For each cash bonus included in the above tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the service and performance criteria were not met in full, is set out below. The bonuses will be paid in FY2006, and no part is payable in future years.

Name	Cash bonus paid %	Cash bonus forfeited %
P Sadleir	96	4
M Glendinning	91	9
N Blackburne	89	11
P Freedman	93	7
K Haustead	95	5
P Stannard	83	17

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

Terms of employment for the Managing Director and executives

The terms of employment for Paul Sadleir provide for an annual base salary inclusive of superannuation and the provision of an annual performance-related cash bonus. Benefits comprise payment of certain professional memberships, provision of car parking and participation, when eligible, in the Cedar Woods Employee Share Scheme which provides a benefit of an interest free loan. In addition Paul Sadleir is entitled to payment of a benefit on termination by the employer following significant restructure or takeover, equal to his total remuneration package for one year.

The terms of employment for the specified executives provide for an annual base salary inclusive of superannuation, the provision of an annual performance-related cash bonus, and participation, when eligible, in the Cedar Woods Employee Share Scheme which provides a benefit of an interest free loan to each of those executives. M. Glendinning and N. Blackburne are also provided car parking and payment of certain professional memberships in addition to their annual base salary.

The remuneration for directors and specified executives is set for each financial year ending 30 June and is reviewed annually by the Human Resources and Remuneration Committee.

(d) Share holdings

The numbers of shares in the company held during the financial year by each director of Cedar Woods Properties Limited and each of the five specified executives, including their personally-related entities as defined by AASB1046 – *Director and Executive Disclosures by Disclosing Entities*, are set out below.

Name	Number of shares at the start of the year	Received during the year pursuant to employee share plan	Other changes during the year	Number of shares at the end of the year
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Ordinary shares

Directors of Cedar Woods Properties Limited

William G Hames†	7,501,342	–	400	7,501,742
Robert S Brown*	10,098,898	–	–	10,098,898
Dwane P Buckland	37,777	–	–	37,777
Loh Kee Kong	–	–	–	–
Paul S Sadleir	828,926	–	1,000	829,926
Stanley J Brown (alternate for RS Brown)*	10,098,898	–	–	10,098,898

Specified executives of the consolidated entity

M Glendinning	150,189	4,926	–	155,115
P Freedman	109,336	4,926	–	114,262
P Stannard	109,336	4,926	–	114,262
K Haustead	103,433	–	–	103,433
N Blackburne	83,323	4,926	–	88,249

† Includes 2,500,000 shares over which WG Hames has voting rights and a first right of refusal to purchase.

* Holdings of RS Brown and SJ Brown relate to the same shares.



(e) Loans to Directors and Executives

Details of loans made to directors of Cedar Woods Properties Limited and the five specified executives, including their personally-related entities, are set out below. These loans were all made under the employee share scheme.

Aggregates for directors and specified executives

2005 - Group	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged*	Balance at the end of the year \$	Number in group at the end of the year
Directors of Cedar Woods Properties Limited	599,703	—	27,383	524,310	1
Specified executives of the consolidated entity	329,820	—	15,935	312,289	5

2004 - Group	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged*	Balance at the end of the year \$	Number in group at the end of the year
Directors of Cedar Woods Properties Limited	—	—	19,990	599,703	1
Specified executives of the consolidated entity	594,923	—	23,133	329,820	5

Individuals with loans above \$100,000 during the financial year

2005	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged*	Balance at the end of the year \$	Highest debt during the year
Directors P S Sadleir	599,703	—	27,383	524,310	599,703

*Equates to the value of benefit not charged under interest free loan, and is included in non-monetary benefits under details of remuneration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

(f) Other transactions with directors, director related entities and specified executives

Directors of Cedar Woods Properties Limited

During the year planning, architectural and consulting services were provided by Hames Sharley Architects of which Mr W.G. Hames is a principal. The transactions were performed on normal commercial terms and conditions.

During the year creative design services were provided by DNA Charrette Design, an entity related to Mr W.G. Hames. The services were performed on normal commercial terms and conditions.

Property settlement charges were paid to Westland Settlement Services Pty Ltd of which Mr S J Brown is a director. The charges were based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors of Cedar Woods Properties Limited or their related entities:

	2005 \$	2004 \$
Amounts recognised as expense		
Rent of office premises	–	11,128
Creative design services	10,780	8,336
Settlement fees	66,935	71,280
	<u>77,715</u>	<u>90,744</u>
Amounts recognised as inventory		
Architectural fees	<u>162,385</u>	<u>214,335</u>

Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Cedar Woods Properties Limited:

Inventory	<u>162,385</u>	<u>214,335</u>
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Aggregate amounts payable to directors of Cedar Woods Properties Limited at balance date relating to the above types of other transactions:

Current liabilities	<u>11,248</u>	<u>14,170</u>
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34 Related parties

a) Directors & director-related entities

Disclosures relating to directors, director-related entities and specified executives are set out in note 33.

b) Wholly-owned group

The wholly owned group consists of Cedar Woods Properties Limited and its wholly owned controlled entities. A list of these entities and the ownership interests held by the parent entity are set out in note 30.

Transactions between Cedar Woods properties Limited and its wholly owned subsidiaries during the years ended 30 June 2005 and 2004 consisted of:

- loans advanced by and to Cedar Woods Properties Limited.
- loans repaid to and by Cedar Woods Properties Limited.
- the payment of dividends to Cedar Woods Properties Limited.
- charging of administration fees by Cedar Woods Properties Limited (2004 only).

Loans between group entities are non-interest bearing and have no fixed date of repayment.

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with wholly owned controlled entities were as follows:

	Parent Company	
	2005	2004
	\$'000	\$'000
Administration fees	-	3,135
Dividends revenue	14,000	8,000

Administration fees were derived on normal commercial terms.

Aggregate amounts receivable from and payable to wholly owned controlled entities at balance date were as follows:

Current assets – receivables (note 7)	14,000	8,000
Non-current assets – receivables (note 10)	77,968	56,492
Non-current liabilities – other (note 20)	27,071	17,594

c) Controlling entity

The ultimate parent entity in the wholly owned group is Cedar Woods Properties Limited.

d) Ownership interests in related parties

The interests in controlled entities are set out in note 30.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

35. Remuneration of auditors

The consolidated entity may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the consolidated entity is important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for the audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

During the year the following fees were paid or payable to the auditor of the parent entity:

	Consolidated	
	2005 \$	2004 \$
PricewaterhouseCoopers – Australian firm		
Assurance services		
– Audit and review of the financial reports of the parent entity and controlled entities	63,650	59,408
Remuneration for other services by the auditors		
– Accounting advisory services	21,600	5,500
– Taxation including review of company income tax returns and GST	23,445	39,048
– Legal services for tax-sharing agreement	–	4,900
Total remuneration for other services	45,045	49,448
	108,695	108,856



36. Employee share scheme

The Cedar Woods Properties Limited Employee Share Scheme was introduced in the 2003 financial year. A portion of certain employees' remuneration is performance based, and on achievement of certain benchmarks, employees are issued ordinary shares funded by an interest free loan from the company.

24,630 shares were issued under the scheme in the 2005 financial year, (2004 – 311,594 shares) based on performance achieved in the 2004 year. The ordinary shares were issued at \$2.03 each, being the weighted average trading price during the 14-day period up to and including 27 August 2004. The shares carry full dividend and voting rights.

Further shares will be issued to employees under the scheme during the 2006 year, based on performance assessed for the 2005 year at the weighted average trading price during the 14-day period up to and including 2 September 2005. The number of shares issued will be reported in the 2006 annual report.

The Human Resources and Remuneration Committee determines the employees eligible to participate in the scheme. During the year, 5 eligible employees participated. Non-executive directors cannot participate. Participating employees who are appointed to the position of director may remain in the scheme in respect of the shares already issued under the scheme prior to their appointment as director and any new shares issued will be subject to shareholder approval. Shares will only be issued if the consolidated entity achieves at least 5% growth in earnings per share.

When the shares are issued the share capital is recognised as equity in the statement of financial position at its price on the day of issue, and the consolidated entity recognises a receivable for the value of the share loan established with each employee. Employees will be required to repay any outstanding balance upon leaving the consolidated entity. At balance date there was no amount outstanding due from former employees.

At balance date there were 1,348,666 ordinary shares in issue under the scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

37. Financial instruments

(a) Credit risk exposure

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

	2005			2004		
	Interest Bearing - Variable	Non Interest Bearing	TOTAL	Interest Bearing - Variable	Non Interest Bearing	TOTAL
	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	1,413	-	1,413	132	-	132
Trade debtors	-	36,515	36,515	-	19,675	19,675
Other debtors	-	26	26	-	12	12
Employee share loans	-	864	864	-	977	977
Investments	-	7	7	-	5	5
	1,413	37,412	38,825	132	20,669	20,801
Weighted average interest rate	4.6%			4.0%		
Financial Liabilities:						
Bank loans	38,876	-	38,876	23,289	-	23,289
Vendors of land	3,950	-	3,950	-	-	-
Trade and Other creditors	-	24,894	24,894	-	15,025	15,025
	42,826	24,894	67,720	23,289	15,025	38,314
Weighted average interest rate	8.2%			8.2%		
Net financial assets/(liabilities)	(41,413)	12,518	(28,895)	(23,157)	5,644	(17,513)

(c) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to the lower of cost or market prices prevailing at balance date (refer also to note 12).



38. International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The parent entity's Chief Financial Officer has taken on the responsibility to manage the transition to the AIFRS, including training staff where required and any internal changes necessary to gather all the required financial information and reports on the transition to AIFRS to the Audit & Risk Management Committee.

The AIFRS have been analysed and the required accounting policy changes have been identified. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the company.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for certain line items in the statements of financial performance and statements of financial position, with explanations of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore the accompanying disclosures may have to be adjusted when the consolidated entity prepares its first full AIFRS financial statements.

Consolidated Statement of Financial Performance - Summary

Year ended 30 June 2005

	Existing GAAP	Effect of change	AIFRS
	\$'000	\$'000	\$'000
Revenue from sale of land (i)	74,818	(14,563)	60,255
Profit from ordinary activities before income tax expense	17,642	(3,015)	14,627
Income tax expense (ii)	(5,242)	909	(4,333)
Profit from ordinary activities after income tax expense	12,400	(2,106)	10,294
Net profit attributable to members of Cedar Woods Properties Limited	12,400	(2,106)	10,294
Basic earnings per share (cents)	23.3	(4.0)	19.3

(i) Revenue from sale of land

Under AIFRS, revenue from sale of land is recognised at settlement of developed lots. Under existing Australian GAAP revenue arising from the sale of land is recognised on the signing of a valid unconditional contract of sale and revenue arising from unconditional sales contracts executed prior to the completion of construction is recognised by reference to the stage of completion of construction.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont.)

(ii) Income tax

As a result of the change to the profit from ordinary activities brought about by the application of AIFRS, income tax expense would be lower, although the rate of tax would be unchanged. The consolidated entity has already adopted the revised version of AASB1020 *Income Taxes* and hence no changes in taxation accounting policies are anticipated.

Consolidated Statement of Financial Position - Summary

At 30 June 2005

NET ASSETS (iii)

EQUITY (iv)

Contributed equity

Reserves

Retained Profits

TOTAL EQUITY

Existing GAAP	Effect of change	AIFRS
\$'000	\$'000	\$'000
54,957	(6,016)	48,941

At 30 June 2004

NET ASSETS (iii)

EQUITY (iv)

Contributed equity

Reserves

Retained Profits

TOTAL EQUITY

Existing GAAP	Effect of change	AIFRS
\$'000	\$'000	\$'000
47,832	(3,910)	43,922

Existing GAAP	Effect of change	AIFRS
\$'000	\$'000	\$'000
21,890	-	21,890
2,056	154	2,210
23,886	(4,064)	19,822
47,832	(3,910)	43,922



(iii) Net assets

An explanation of the major impacts on asset and liability balances follows:

Receivables would decrease by \$36,515,000 (2004 – \$19,675,000) under AIFRS as a result of the change in revenue recognition policy outlined above. As all revenue from sale of land is recognised upon the cash settlement there would be no trade receivables.

Inventories would increase by \$21,881,000 (2004 – \$10,881,000) under AIFRS as the timing of recognition of sales revenue is deferred compared to treatment under existing Australian GAAP.

Due to the change in revenue recognition policy the deferred tax liability would be reduced by \$2,739,000 (2004 – \$1,746,000), and other net liabilities and provisions would reduce by \$5,879,000 (2004 – \$3,138,000).

The impact of the above changes on net assets is shown above.

(iv) Equity

Under AIFRS, total equity would be change mainly as a result of the change to retained profits caused by the change in revenue recognition policy.

(v) Financial instruments

There are no known impacts associated with AASB139 Financial Instruments at 1 July 2004 or 1 July 2005 and therefore elections available under the standard do not apply.

(vi) Borrowing costs

The current policy to capitalise borrowing costs as set out in notes 1(b) and 1(l), will continue.

(vii) Parent entity

It is anticipated that there will be no material changes to the financial statements of the parent entity as a result of the adoption of AIFRS. Implementation of Interpretation 1052 Tax Consolidation Accounting will result in the reclassification of tax-related amounts due to/from subsidiaries to deferred tax assets and deferred tax liabilities, but the impact is not considered to be material.

INVESTORS SUMMARY

Shareholder value

Cedar Woods' primary objective is to create value for shareholders through growth in earnings.

The table on page 84 provides a five-year summary of the company's key financial results. Below is a table showing returns to shareholders over 1, 3 and 5 years.

	1 Year	3 Year	5 Year
Earnings Growth	15	49	34
Share price growth	36	65	31
Dividend growth	20	34	15
Total shareholder return	42	77	41

Share liquidity

During the 2005 financial year 5.36m (2004 – 7.53m) shares were traded on the Australian Stock Exchange representing approximately 10% (2004 – 15%) of the weighted average number of shares on issue during the year.

Dividend and dividend policy

The Current dividend policy is to distribute approximately 50% of the sum of the full year net profit after tax plus realised reserves. The final dividend for the 2005 financial year is 12.0 cents per share, fully franked. The dividend will be paid on 21 October 2005.

Shareholder discount scheme

The company operates a shareholder discount scheme which entitles shareholders to a 5% discount off the listed purchase price of any residential lot at the company's developments. A summary of the main terms and conditions follows:

- Shareholders must hold a minimum number of 5,000 shares for at least 12 months before purchasing a lot to qualify for the discount;

- There is no limit to the number of lots which a shareholder may purchase under the scheme, subject to any statutory restrictions;
- Shareholders will receive an exclusive opportunity to purchase lots under future pre-releases before those stages are released to the general market;
- The shareholder discount scheme does not apply to combined house and land packages.

The above is a summary of the main conditions and shareholders should apply to the company or visit the website for the full terms and conditions.

Shareholder enquiries

Shareholders with enquiries are welcome to access information by any of the following methods:

- By contact with our share registry:
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace, Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033
Please quote your Security Reference Number (SRN) or Holder Identification Number (HIN) when dealing with the share registry.

- Via the Cedar Woods web site
www.cedarwoods.com.au. (see opposite).
- By contact with the company.

Shareholders are welcome to contact the company at any time and speak to the chief executive officer, Paul Sadleir or the company secretary, Paul Freedman.

Telephone: (08) 9480 1500
Facsimile: (08) 9480 1599

- By e-mail

Shareholders are welcome to contact the company by e-mail on
email@cedarwoods.com.au



INVESTORS SUMMARY (cont.)

Stock exchange listing

Cedar Woods Properties Limited shares are listed on the Australian Stock Exchange and reported in the 'Industrial' section of daily newspapers – code CWP.

Electronic payment of dividends

The company continues to offer the electronic payment of dividends, which is now in use by the majority of our shareholders. Shareholders may nominate a bank, building society or credit union account for the payment of dividends by direct credit. Payments are electronically credited on the dividend payment date and confirmed by mailed advice. Shareholders wishing to take advantage of this facility for the first time should complete and return the form included with this Annual Report.

Dividend re-investment plan

The dividend re-investment plan has been suspended as part of measures to manage the company's capital. Shareholders should note that their participation status is not affected by the suspension of the plan, as this status will be held pending any future recommencement of the plan. Shareholders will be advised prior to recommencement of the plan. Shareholders wishing to change their participation status must complete an election form in accordance with the plan rules.

Company website

www.cedarwoods.com.au

The company web site offers the following features:

- Investor relations page, enabling shareholders to access share price and corporate governance information, browse company announcements, download financial statements and link to the company's share registry. In order to obtain and update information in relation to their shareholdings, shareholders can go to the share registry link and by entering the shareholder name, address and SRN or HIN at the prompt, shareholders will gain access to this service.
- News service providing up to date information on recent company activities and items of interest.
- Access to annual and half year reports. The annual report can be downloaded as a 'pdf' electronic file.
- Access to information on the company's major projects including the availability and price of land currently for sale.
- Feedback service to enhance communication between the company and its shareholders.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2005.

Twenty largest shareholders – ordinary shares

Name	Number of shares	Percentage of shares
Australian Executor Trustees Limited	6,445,451	12.10
National Nominees Limited	5,730,076	10.76
Ventrade (Asia) Pte Ltd	5,324,099	10.00
Beach Corporation Pty Ltd	5,039,797	9.46
Western Retirement Homes Pty Ltd	5,000,101	9.39
Hamsha Nominees Pty Ltd	4,363,232	8.19
Helen Kaye Hames	2,505,000	4.70
Citicorp Nominees Pty Limited CFSIL Cwlth Boff super a/c	810,850	1.52
Paul Sadleir	754,926	1.42
Golden Years Holdings Pty Ltd (AW Lennon A/C)	707,025	1.33
Colbern Fiduciary Nominees Pty Ltd	561,156	1.05
Golden Years Holdings Pty Ltd (GE Lennon A/C)	480,790	0.90
Health Super Pty Ltd	402,949	0.76
Dane Nigel Gorn & Maureen Theresa Gorn	396,922	0.75
Joia Holdings Pty Ltd	382,000	0.72
Mentmore Pty Limited	378,529	0.71
JP Morgan Nominees Australia Limited	337,523	0.63
Ramneg Pty Ltd	308,890	0.58
William George Hames	253,110	0.48
Government Superannuation Office State Super Fund	228,000	0.43
	40,410,426	75.88

Substantial shareholders – ordinary shares

Name	Number of shares	Percentage of shares
Entities related to RS and SJ Brown –		
– Beach Corporation Pty Ltd	5,039,797	
– Western Retirement Homes Pty Ltd	5,000,101	
– Stanley James Brown	50,000	
– Robert Stanley Brown	3,000	
– Joan Brown	3,000	
– Dorothy Margaret Brown	3,000	
	10,098,898	18.96
Entities related to WG Hames –		
– Hamsha Nominees Pty Ltd	4,363,232	
– Helen Kaye Hames	2,500,000	
– Joia Holdings Pty Ltd	382,000	
– William George Hames	253,110	
	7,498,342	14.08
Australian Executor Trustees Limited	6,445,451	12.10
Acorn Capital Limited	5,419,319	10.18
Ventrade (Asia) Pty Ltd	5,324,099	10.00



Distribution of equity securities – ordinary shares

	Number of holders	Number of shares
1 – 1,000	84	52,447
1,001 – 5,000	286	919,246
5,001 – 10,000	217	1,901,976
10,001 – 100,000	276	7,385,119
100,001 and over	43	42,994,197
	<u>906</u>	<u>53,252,985</u>

There were 10 holders of less than a marketable parcel of ordinary shares.

Voting rights

The voting rights attaching to each class of equity securities are set out below;

Ordinary Shares

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

STOCK EXCHANGE ANNOUNCEMENTS

The following table summarises the company announcements made to the Australian Stock Exchange (ASX) during the 12 months up to the date of this report. Full details are available through the ASX or Cedar Woods websites.

22 August 2005	Full year results and presentation	21 February 2005	Half Year Result
31 May 2005	Acquires further development land	9 February 2005	Acquires new projects
29 April 2005	Third quarter update	16 December 2004	Change of Substantial Shareholding
19 April 2005	Change of Directors Interest Notice	3 December 2004	Nautilus goes ahead
17 March 2005	Half Year Newsletter	29 October 2004	Results of AGM
14 March 2005	Initial Substantial Shareholding	29 October 2004	2004 AGM Chairman and MD address
9 March 2005	Change of Substantial Shareholding	29 October 2004	First quarter update
21 February 2005	Half Year Presentation	8 October 2004	Employee Share Plan
21 February 2005	Update on Chuan Hup restructure	20 September 2004	2004 Annual Report

5 YEAR FINANCIAL PERFORMANCE SUMMARY

All figures in \$'000 unless shown otherwise

FINANCIAL YEAR	2001	2002	2003	2004	2005
Financial Performance					
Revenue from ordinary activities	20,441	26,232	37,087	57,189	75,130
Earnings before interest and tax	4,318	5,764	11,080	15,988	19,191
Net interest	165	209	188	1,314	1,549
Operating profit before tax	4,153	5,555	10,892	14,674	17,642
Income tax expense	1,789	2,111	3,757	4,421	5,242
Net profit after tax	2,364	3,444	7,135	10,253	12,400
Realised reserve	1,159	1,287	1,435	646	447
Net Profit after tax plus realised reserve	3,523	4,731	8,570	10,899	12,847
Financial Position					
Total assets	44,509	50,264	66,818	94,717	130,470
Total liabilities	16,531	21,258	29,992	46,885	75,513
Shareholders' equity	27,978	29,006	36,826	47,832	54,957
Number of shares on issue – end of year (*000)	48,315	48,315	49,420	53,228	53,253
Key Performance Measures					
Earnings per share (cents)	5.0	7.1	14.5	20.2	23.3
Dividend per share – fully franked (cents)	3.0	5.0	7.0	10.0	12.0
EBIT Margin	21.1%	22.0%	29.9%	28.0%	25.5%
Interest cover (times)	17	21	43	12	12
Return on Equity	8.4%	11.9%	19.4%	21.4%	22.6%
Return on Capital	12.8%	15.4%	26.0%	22.5%	20.8%
Investment in inventory during year	7,208	20,925	25,278	56,026	48,866
Net tangible assets backing per share (\$)	0.58	0.60	0.75	0.90	1.03
Net bank debt	5,701	8,538	5,818	23,157	37,463
Net bank debt to equity	20.4%	29.4%	15.8%	48.4%	68.2%
Share price – end of year (cents)	0.49	0.51	0.97	1.70	2.31
Stock Market capitalisation at 30 June	23,433	24,641	47,937	90,488	123,014
Number of employees at 30 June	11	16	18	20	25



CORPORATE DIRECTORY

Directors

William George Hames, BArch (Hons) MCU (Harvard)
 LFRAl, MPIA, FAPI (Econ) – Chairman
 Robert Stanley Brown, MAICD, AIFS – Deputy Chairman
 Dwane Patrick Buckland, BA (Econ), FAICD
 Loh Kee Kong, B Acc, CPA
 Paul Stephen Sadleir, BE, MBA – Managing Director
 Stanley J Brown (Alternate for RS Brown)

Company Secretary

Paul Freedman, BSc, CA

Registered Office and Principal Place of Business

Level 4, Zurich House
 66 Kings Park Road
 WEST PERTH WA 6005
 Postal address : P.O. Box 788 West Perth WA 6872
 Phone: (08) 9480 1500 Fax: (08) 9480 1599
 E-mail: email@cedarwoods.com.au
 Website: www.cedarwoods.com.au

Share Registry

Computershare Investor Services Pty Ltd
 Level 2, Reserve Bank Building
 45 St George's Terrace
 PERTH WA 6000

Auditor

PricewaterhouseCoopers
 QV1
 250 St George's Terrace
 PERTH WA 6000

Solicitors

Jeremy Shervington
 52 Ord Street
 West Perth WA 6005

Mallesons Stephen Jacques
 Level 10, Central Park
 152 St Georges Terrace
 Perth WA 6000

Stock Exchange Listing

Cedar Woods Properties Limited shares are
 listed on the Australian Stock Exchange Limited.

ASX Code

CWP

Annual General Meeting

Venue: University Club of WA,
 Hackett Drive, Crawley, WA
 Time: 10.00am
 Date: 28 October 2005

SHAREHOLDERS TIMETABLE

Share register closes for dividend (Record date)*	7 October 2005
Dividend payment date	21 October 2005
First quarter update	October 2005
Annual General Meeting (Location: University Club of WA, Crawley)	28 October 2005 – 10.00 am
Half-year result announcement	February 2006
Third Quarter update	April 2006
Dividend payment date (subject to dividend announcement)	21 April 2006
Full year result and dividend announcement	August 2006

*Based on the register closing date it is anticipated that shares will trade ex-dividend on 30 September 2005.

Shareholders should check with their broker prior to trading.

Level 4, Zurich House

66 Kings Park Road
WEST PERTH WA 6005

P.O. Box 788
West Perth WA 6872

Phone: (08) 9480 1500

Fax: (08) 9480 1599

E-mail: email@cedarwoods.com.au

Website: www.cedarwoods.com.au



CEDAR WOODS
PROPERTIES LIMITED

