

24 March 2009

Australian Securities Exchange  
Exchange Centre,  
Level 4,  
20 Bridge Street,  
Sydney NSW 2000.

Dear Sir/Madam,

**HALF YEAR UPDATE TO SHAREHOLDERS**

Following the announcement of our half year results in February, please find attached our half year update to shareholders.

Yours faithfully,



Paul Freedman  
Company Secretary

24 March 2009

Dear Shareholder,

### Half year report

Please find enclosed your shareholder report for the half year ended 31 December 2008. In the report we provide details of the company's performance during the first half and information on the future outlook.

The company experienced a net loss in the first half as a result of the downturn in the economy and the impact of the global financial crisis. However, we are encouraged by the much improved outlook for the second half and the strong support currently being provided by the company's financiers. In particular, we note the following:

- The company has forecast a full year net profit in the range of \$7m - \$9m
- \$85m in presales at projects completing in the second half
- \$114m bank facility in place until September 2011
- Dividend payout ratio to be maintained at 50% of the full year net profit

### Dividend

As noted in the half year report, your directors have suspended the interim dividend this financial year. A final dividend is expected to be paid in October 2009, based on the profit for the full year.

### Announcement service

If you would like to receive forthcoming announcements by email, as soon as they are released to the market, please send your email address to [email@cedarwoods.com.au](mailto:email@cedarwoods.com.au) and ask to be included in this service.

We appreciate your continued support and look forward to reporting regularly to all our valued shareholders during the next year.

Should you have any queries in relation to this letter please do not hesitate to contact the Company Secretary, Paul Freedman at the above telephone number.

Yours faithfully



**WILLIAM G HAMES**  
Chairman

Enc





July to December 2008

# Half year report to shareholders

Cedar Woods Properties Limited

ABN 47 009 259 081



## First Half Summary

The downturn in the economy and its impact on the property market led to Cedar Woods Properties Limited experiencing a net loss of \$5.6m in the first half of FY2009. However, the company remains confident that \$85m in presales already in place will provide a significant second half profit and has forecast a full year net profit of approximately \$7m – \$9m. This represents earnings of between 12 – 16 cents per share.

The interim dividend has been suspended this year, however in anticipation of the full year profit, the Board intends to maintain the current policy of distributing approximately 50% of full year net profit, which will be paid as a final dividend after the end of the financial year. The dividend will be fully franked.

As in the last financial year, the majority of settlements and hence income will be earned in the second half of the financial year.

During the first half, the company commenced construction at two of its new Melbourne residential projects and has now contracted over 370 presales with delivery of two thirds of the titles for these stages expected in the second half of FY2009.

In addition, a highly successful launch of the Helena Valley Private Estate has led to this project being over 90% sold and all of these sales are due for settlement in the second half.

In the first half the company completed a small equity raising by way of an underwritten dividend reinvestment plan, successfully raising \$5.4m. The company also continues

to enjoy strong support from its bankers. The company has a \$114m corporate facility in place until September 2011 and since November 2008 has put in place new finance facilities with National Australia Bank as it seeks to widen its funding base.

Whilst the national property market has been impacted by difficulties on global financial markets and declining affordability, recent cuts to interest rates, the increase in the first home buyer grant and other Federal and State government initiatives have stimulated demand in the first home buyer sector. As a consequence, the company has recently experienced a significant increase in sales at its residential estates. The effect of this has yet to flow through to the broader market however and the company will continue to monitor conditions and provide further earnings guidance after the end of the third quarter.

The company is well placed to participate in an upswing in the market, with an excellent product range and projects located in key growth areas in both Perth and Melbourne. A number of new projects are also anticipated to commence in the next 12 months, some of which are discussed in later sections of this report.

Ongoing instability in financial markets has continued to influence the company's share price together with all of those in the listed property sector. Your Board is however confident that a recovery in market conditions will see a favourable response for listed property stocks, including the company's shares.

- ◆ Forecasting a full year net profit in the range of \$7m - \$9m
- ◆ \$85m in presales at projects completing in the second half in Perth and Melbourne
- ◆ \$114m bank facility in place until September 2011
- ◆ Strong support from financiers to fund development program
- ◆ Dividend payout ratio to be maintained at 50% of full year net profit





“Planning is continuing for the sixth and final stage of canal lots at Mariners Cove, at the western and most prestigious end of the development...”



Project review: Western Australia

**The public response to the launch of a new stage at the company's Helena Valley Private Estate was very pleasing given the current trading conditions. Over 70 lots have now been presold in this 75 lot stage with settlements expected during the second half.**

Construction of this stage is well under way. When complete this land, adjacent to the estate that the company developed in the 1990's, will provide a unique opportunity for purchasers to build in an established, private estate complete with a shopping centre and retirement village, in a semi-rural location.

At Mariners Cove in Mandurah, the first stage of waterfront townhouses, known as 'The Landings' is approaching completion at the eastern end of the middle island. All 8 homes in this development have canal views, and some also have outlooks across to the Creery Wetlands. Based on demand for the first stage, a second stage of 6 homes was commenced during the first half and these will be completed during the 2010 financial year.

This development will comprise up to 20 homes and is the first of three anticipated complexes for The Islands, which offer a unique alternative for buyers wanting to purchase a complete house and land package rather than building their own home on the canals.

Planning is continuing for the sixth and final stage of canal lots at Mariners Cove, at the western and most prestigious end of the development, close to the Peel estuary. Many of these lots will have extensive views out over the estuary and Creery Wetlands and are expected to be highly sought after.

Trading conditions have been difficult in the Mandurah market over the last six months but there are early signs that the property market is starting to recover in this sector.

During the first half, new development stages have been built at the company's residential estates at The Kestrels, in Wanneroo and at The Rivergums in Baldivis. The introduction by the federal government of incentives aimed at first home buyers has seen demand increase towards the end of the first half and this is expected to continue while these incentives are offered, currently until 30 June 2009.

Incorporating the latest sustainability initiatives into new estates remains a high priority. Last year the company joined forces with the City of Wanneroo to construct a display home that will showcase the latest building products and designs for environmentally friendly and energy efficient housing.

'Ecovision Wanneroo' will be located in stage 1 of 'The Kestrels' estate at Tapping, near the central parkland, and will be open to the public upon its completion. Construction of the home will soon commence and it is expected to open in 2010.

Residential stages at 'The Rivergums' continue to progress and the company is evaluating proposals for the development of a number of group housing sites and a neighbourhood shopping centre.

The company's Cambridge Waters mixed density residential project at Canning Vale, in Perth's inner south eastern suburbs, aims to provide a wider choice of lifestyles for the maturing Canning Vale community.

With the first two residential stages almost sold out, the company is considering a further release of lots in this popular estate. Plans for high density development will be considered over the coming year, as an alternative to a final residential lot stage.

**Coming soon**

The company has land holdings in Forrestdale and Pinjarra that represent medium to long term prospects for further residential development. Plans for a 140-lot boutique estate at Forrestdale continue to be advanced as this growth area continues to expand. Several neighbouring developments are close by and the company's land is already zoned for residential development.

A beachfront development site, located at Palm Beach, Rockingham will ultimately comprise of 15 luxury apartments, all with spectacular ocean views, and a beachfront cafe. Launch of 'The Jetty' apartments is anticipated to commence in 2009.



"The Jetty" – artist impression



“Since its successful launch, Williams Landing has seen strong buyer demand with 220 lots now presold”



Project review: Victoria

## The company's Melbourne developments are reaching an exciting phase as the first stages in two projects are approaching completion in the second half.

Early in 2008 the company commenced construction of the first two residential stages in its landmark town centre and residential project at Williams Landing.

Williams Landing will be a 275-hectare development with four neighbourhoods comprising over 2000 residential dwellings, a town centre incorporating substantial retail and commercial space and 16 hectares of parks and sporting facilities.

The name 'Williams Landing' was approved as a new suburb in 2007 and in December 2008 the Victorian State government announced that a new railway station will be built on the southern boundary of the estate, starting in 2010. Additional transport infrastructure announced for Williams Landing includes a new bus terminal, long-term and short-term parking, taxi parking and pedestrian and bicycle access. These announcements were seen as a major boost for the future development of the site and have enabled the company to advance planning for the town centre components of the site.

Since its successful launch, Williams Landing has seen strong buyer demand with over 230 lots now presold to the public and to builders for the builders' display village. Approximately two thirds of these sales are scheduled to settle in FY2009, with the remainder comprising the majority of the third and fourth residential stages, due for settlement in FY2010.

With a large display village now under development, comprising some 50 houses, the first stages will be a significant drawcard for future buyer activity. As a result of the eager demand a fifth stage will soon be released to the public.



Carlingford

Also in Melbourne, in mid-2008 the company launched a 600 lot residential estate known as 'Carlingford' at Lalor in the city's northern suburbs. Over 140 lots have been pre-sold from the initial three stages. Construction of these stages is well advanced and the first lots are expected to settle in the fourth quarter of FY2009.

Carlingford is adjacent to established urban development and close by are schools, train stations, shops, recreational, leisure and sporting facilities. The Hume Highway and Western Ring Road are in close proximity to the estate which is just 17km north of Melbourne's CBD.

This project will also encompass a significant display village incorporating 13 homes and representation by some of Melbourne's most prestigious builders.

### Coming soon

The nine hectare 'Banbury Village' site was acquired in 2006 and is located in Footscray, some 6km from the Melbourne CBD. It is located in a busy urban area adjacent to the 'Whitten Oval' and the Footscray railway station, close to cafes and convenience stores.

The property has approval for a 300 dwelling development which is expected to include a range of townhouses, apartments and single lots, and commencement of development is anticipated later in 2009. The development will be released in several stages over a four-year period.

'Banbury Village' will not only look to the future for energy efficiency and sustainability but will also embrace the past by retaining and converting current art deco buildings on the property.



## Syndicate Management

### Cedar Woods Wellard Limited is an investment syndicate managed by Cedar Woods.

It owns 47 hectares of urban zoned land adjacent to the Kwinana Freeway in the suburb of Wellard, 32 km south of Perth.

A subdivision of 600 residential lots, with a projected selling life of 5 years, is being developed on the site, which is in close proximity to two commuter railway stations. This project has been named 'Emerald Park'.

Designed with a sense of community in mind, Emerald Park will appeal to a wide variety of people due to its convenient location, extensive choice of lot sizes, friendly atmosphere and an impressive list of nearby amenities including schools, shops, large recreation areas and the nearby employment centres of Kwinana, Fremantle and Jandakot.

Construction of the first stage of approximately 90 residential lots recently commenced and a sales office is now located on site. Stage 1 will incorporate a builders display village of around 10 homes, and will incorporate a significant area of parkland and open space.

The public launch of the estate commenced in January 2009 and the first titles are expected to be delivered around June 2009, making them suitable for first home buyers looking to take advantage of the Federal Government's \$21,000 first home buyer's grant.

The company has been evaluating other potential sites for development under its syndicate management business and expects to add further projects to the portfolio.

*emerald park*  
PRIVATE ESTATE  
WELLARD



Syndicate Management

## CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2008

	2008 \$'000	Consolidated 2007 \$'000
<b>Revenue</b>	13,332	31,647
Cost of sales	(10,278)	(16,984)
Gross margin	3,054	14,663
Other income	1,318	836
Other expenses:		
Project operating costs	(5,119)	(4,166)
Occupancy	(171)	(96)
Administration	(3,371)	(3,541)
Finance costs	(2,258)	(1,114)
Write down of non-current assets	(1,223)	–
Share of net loss of associates accounted for using the equity method	(81)	(36)
(LOSS) PROFIT BEFORE INCOME TAX	(7,851)	6,546
Income tax benefit (expense)	2,282	(1,960)
<b>(LOSS) PROFIT FOR THE HALF YEAR</b>	<b>(5,569)</b>	<b>4,586</b>

## Key Performance Measures

Six months ended	31 December 2008	31 December 2007
Interim dividend per share (cents)	–	8
(Loss) / earnings per share (cents)	(9.9)	8.3
Interest cover (X)	N/A	7
As at	31 December 2008	30 June 2008
Net bank debt to equity (%)	135.0	96.1
Number of shares on issue (m)	58.2	55.1
Net asset backing per share (\$)	1.35	1.52
Share Price (\$)	0.99	2.75

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	31 December 2008 \$'000	30 June 2008 \$'000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	43	486
Trade and other receivables	9,958	4,983
Current tax	1,017	–
Inventories	44,931	40,930
<b>Total current assets</b>	<b>55,949</b>	<b>46,399</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	159	259
Inventories	127,315	121,936
Investment accounted for using the equity method	3,579	3,660
Available for sale financial assets	17	21
Derivative financial instruments	55	524
Property, plant and equipment	883	869
Investment properties	2,167	2,192
Deferred tax assets	1,544	–
Other	4,574	9,159
<b>Total non-current assets</b>	<b>140,293</b>	<b>138,620</b>
<b>TOTAL ASSETS</b>	<b>196,242</b>	<b>185,019</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	9,564	11,672
Borrowings	9,285	8,196
Current tax liabilities	–	3,879
Provisions	2,053	2,109
<b>Total current liabilities</b>	<b>20,902</b>	<b>25,856</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	96,764	74,221
Deferred tax liabilities	–	738
Provisions	257	258
<b>Total non-current liabilities</b>	<b>97,021</b>	<b>75,217</b>
<b>TOTAL LIABILITIES</b>	<b>117,923</b>	<b>101,073</b>
<b>NET ASSETS</b>	<b>78,319</b>	<b>83,946</b>
<b>EQUITY</b>		
Contributed equity	34,850	29,508
Reserves	1,081	990
Retained profits	42,388	53,448
<b>TOTAL EQUITY</b>	<b>78,319</b>	<b>83,946</b>

## Financial Commentary

Revenue was down 56% as a result of the downturn in trading conditions. Most of the fall in revenue compared to the corresponding period last year was attributable to lower sales of the company's premium products, being canal lots and waterfront apartments which are at the top end of the market. This sector has been significantly impacted by the global financial crisis.

Included in the operating loss was \$1.2m in write downs of property options and related capitalised costs. A \$0.5m loss was also experienced as a result of 'mark to market' adjustments for derivative financial instruments that the company had established in previous years to manage interest rate risk. Without these items the net after-tax loss would have been \$4.38m.

The majority of the company's property portfolio comprises assets acquired prior to the property boom and as a consequence, current property values for the major assets in the portfolio are significantly above the carrying values on the balance sheet.

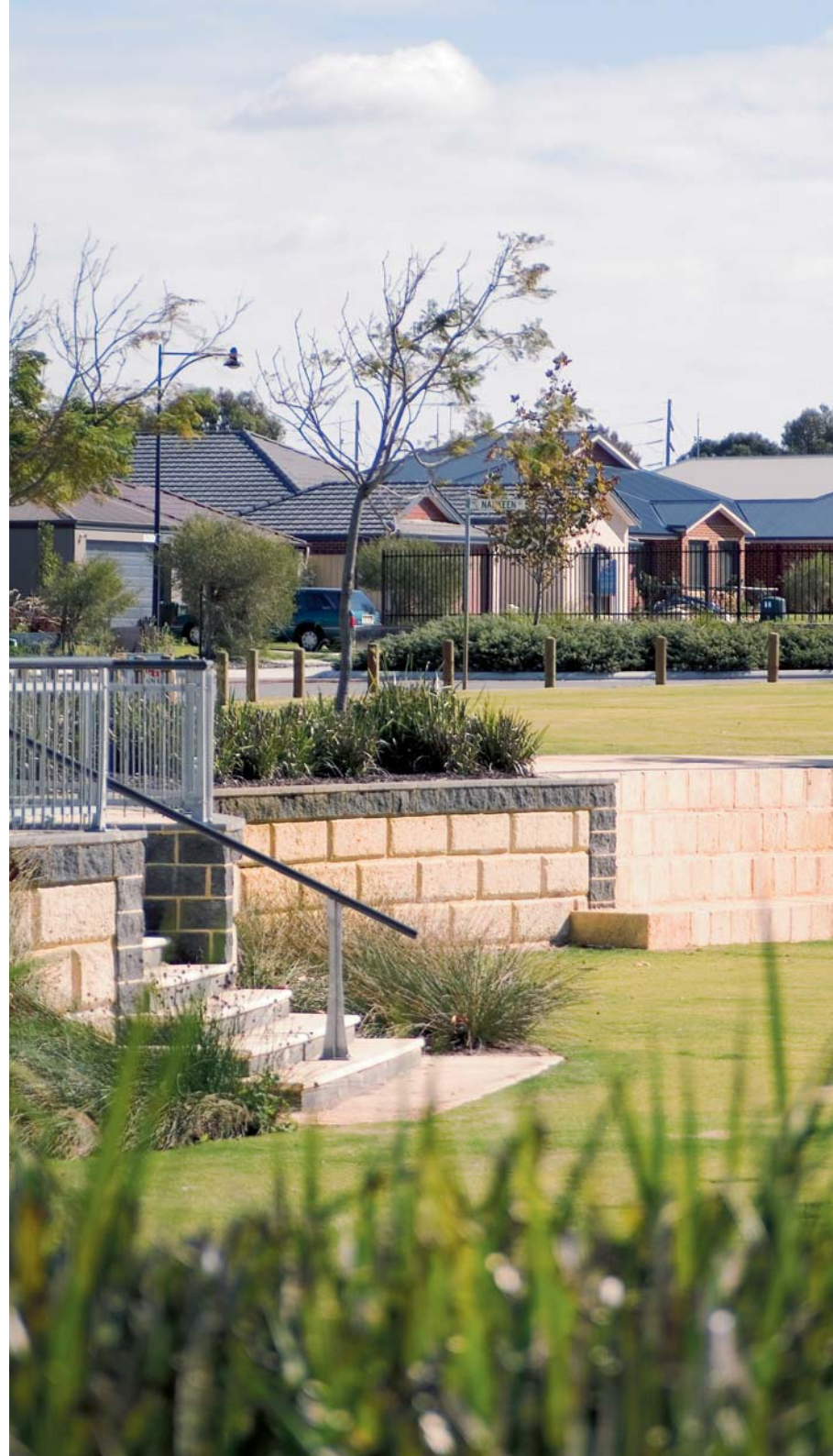
Several new projects that are still at a preliminary stage will continue to be closely monitored for the remainder of the financial year and if unviable, will result in a profit figure at the lower end of the \$7m – \$9m forecast range.

At 31 December 2008 the company's debt/equity ratio was 135% based on the historical cost of its assets.

The company undertook significant development works in the first half with several major stages scheduled for completion in April.

Settlements of pre sales will then occur and the company anticipates debt to equity will fall to approximately 75% by 30 June 2009.

Further details are provided in the company's stock exchange announcement and half year accounts lodged with ASX on 20 February 2009.



## Company Outlook

### Economy

In recent months global financial markets have been in turmoil, and the financial crisis has spilled over to affect real economic activity worldwide, including Australia.

Growth forecasts for the Australian economy have been revised sharply downwards as a result of the world economic downturn.

The national property market has weakened significantly over the last 12 months, however recent cuts to interest rates, the increase in the first home buyer grant and other Federal and State government initiatives have stimulated demand in the first home buyer sector.

The lack of housing stock in all metropolitan markets will underpin a recovery that should commence as financial markets stabilize and as interest rate cuts further improve housing affordability.

### Outlook

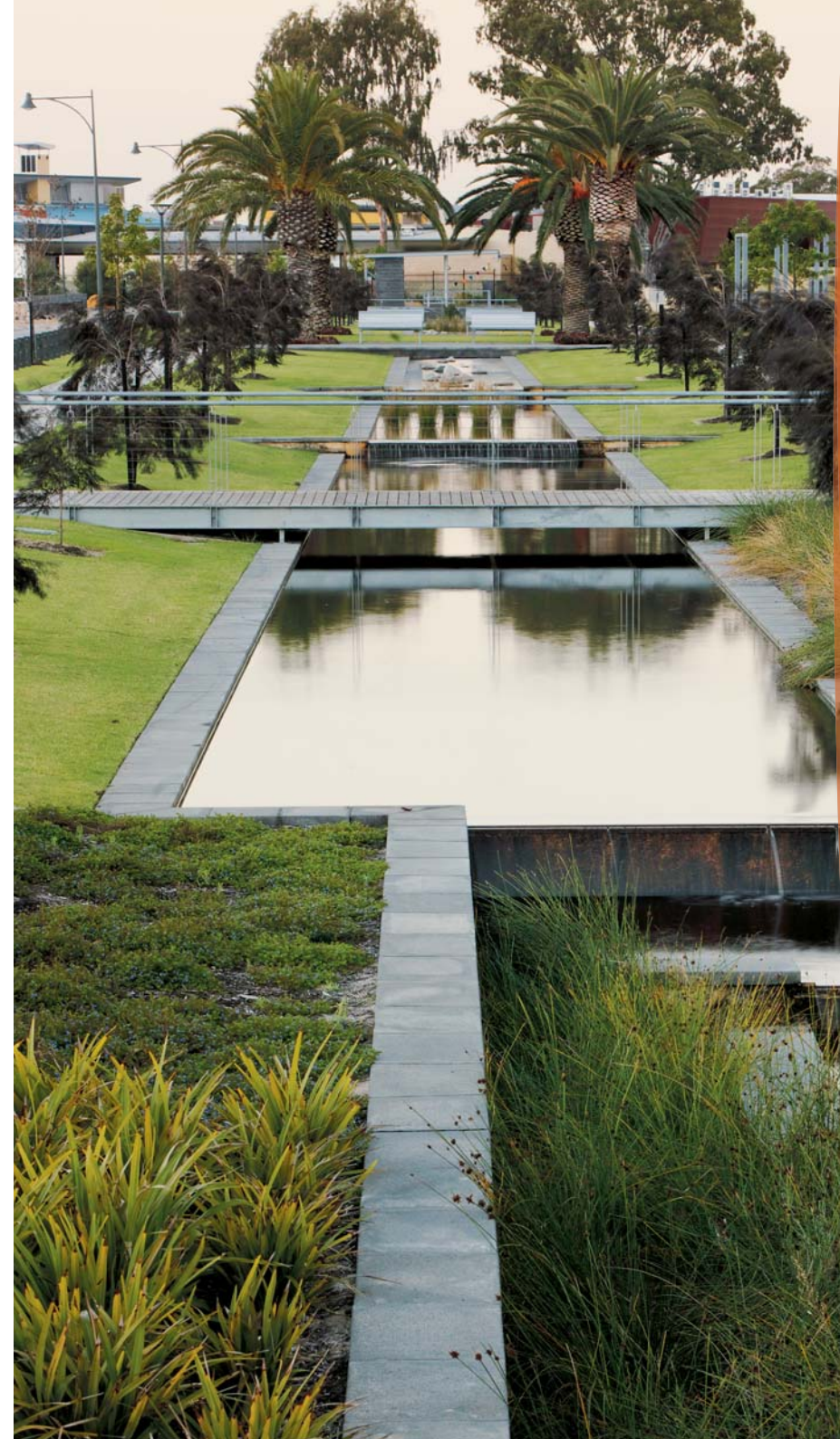
The company is well placed to participate in an upswing in the market, with an excellent product range and projects located in key growth areas.

In addition, it has \$85m presales due for delivery in the latter part of the financial year.

A full year net profit in the range of \$7m – \$9m is forecast and further earnings guidance will be provided with the third quarter update.

In the medium term, the increased contribution from the Melbourne projects, new projects entering the development phase and syndicates will supplement earnings.

The diverse portfolio of projects, with approvals in place, positions the company to deliver earnings growth and value for shareholders in future years.



Company Outlook

## Enquiries

Enquiries regarding the availability of lots or units within the company's developments may be directed to the company by telephoning us on 08 9480 1500 or by accessing the company website. Shareholders are also encouraged to take advantage of the shareholder discount scheme, details of which are summarised in the next section.

## Shareholder discount scheme

The shareholder discount scheme offers a 5% discount off the listed purchase price of any residential lot in 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;
- ◆ the shareholder discount scheme does not ordinarily apply to combined house and land packages or apartments.

The above is a summary of the main conditions and shareholders should apply to the company or visit the website [www.cedarwoods.com.au](http://www.cedarwoods.com.au) for the full terms and conditions.

## COMPANY CONTACTS

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Email: [email@cedarwoods.com.au](mailto:email@cedarwoods.com.au) | Website: [www.cedarwoods.com.au](http://www.cedarwoods.com.au)

Chairman: Mr. William G Hames | Managing Director: Mr. Paul S Sadleir  
Company Secretary: Mr. Paul S Freedman



This shareholders' update is not intended to be relied upon or used for investment purposes and is presented in a newsletter format, not as a prospectus. Shareholders should seek their own investment advice prior to transacting shares in the company. Financial information presented herein is in summarised form. Full copies of the company's half year results are available to shareholders upon request, or may be accessed from the company website or the Australian Stock Exchange.