

13 January 2009

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

Dear Sir / Madam,

**FY2009 FIRST HALF UPDATE AND FULL YEAR EARNINGS GUIDANCE**

Please find attached an update on the Company's first half performance, together with earnings guidance for the full year.

Yours faithfully,



**Paul Freedman,  
Company Secretary**

## **CEDAR WOODS - HALF YEAR UPDATE AND FULL YEAR OUTLOOK**

- **First half net loss of approx \$6m, forecasting a full year net profit after tax of \$9m**
- **\$75m in presales at projects completing in the second half**
- **Dividend policy unchanged at 50% of full year net profit**
- **3 year evergreen bank facility successfully extended**
- **Successful equity raising via the dividend reinvestment plan**

The downturn in the economy and its impact on the property market led to Cedar Woods Properties Limited experiencing a net loss of approximately \$6m in the first half of FY2009. However, the company remains confident that \$75m in presales already in place will provide a significant second half profit and has forecast a full year net profit of approximately \$9m.

In anticipation of the full year profit, the Board intends to maintain the company's dividend policy of distributing approximately 50% of the full year net profit. Further details of dividends will be provided when the company reports its first half results in full to the ASX in February.

As in the previous financial year, the majority of settlements and hence income will be earned in the second half. The Board recognises that the timing of settlements can cause volatility in earnings from half to half, however the Board is primarily focused on the achievement of annual results.

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 approximately two-thirds of these titles expected in the second half.

In addition, the launch of the Helena Valley Private Estate was well received and sales in this estate 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. Together with its 3 year evergreen corporate bank facility (which the bank has recently agreed to extend until September 2011) and separate project facilities, the company has funding in place for all of its development projects.

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. The effect of this has yet to flow through to the broader market and the company will continue to monitor conditions prior to issuing further earnings guidance for the full year result and into FY2010.

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

With a diverse portfolio of projects and a strong balance sheet, the company is well positioned to deliver earnings growth and shareholder value in future years.

*For further information please contact:*

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Managing Director  
CEDAR WOODS PROPERTIES LIMITED  
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# **CEDAR WOODS PROPERTIES LIMITED**

## **HALF YEAR UPDATE AND FULL YEAR OUTLOOK**

### **SUMMARY**

Cedar Woods Properties Limited made a net loss of approximately \$6m for the half year to 31 December 2008, but expects a full year net profit of approximately \$9m.

The first half loss was experienced amid weak demand, particularly in Perth's south-west sector, although activity differs markedly from sector to sector. Strong sales were experienced at a number of the company's estates, but due to the timing of settlements, the revenue and earnings from these will be recorded in the second half.

The company expects to deliver full year earnings of around 15 cents per share.

In anticipation of the full year profit, the Board intends to maintain the company's dividend policy of distributing approximately 50% of the full year net profit. Further details of dividends will be provided when the company reports its half year results in full to the ASX in February, on completion of the half year accounts and review of the results by the auditors.

As noted above, the second half is expected to generate a substantial profit because a larger number of settlements from pre sales are anticipated during the second period. The company's earnings from period to period are dependent upon the timing of the settlements in each development. The Board's focus is primarily on the achievement of full year results and the distribution of profits between half years may be uneven due to the timing of settlements of significant projects. In FY2008 the first half result was significantly lower than the second half due to the completion of projects in the second half.

### **OPERATING RESULTS**

#### **Western Australian residential projects**

Despite weak conditions across the state's property sector, certain of the company's estates performed well.

The release of the Helena Valley Private Estate project was well received by the local market. Construction is under way and titles will be delivered during the second half.

In addition, at the end of the first half the company commenced development at its land syndicate in Wellard, a new town only 30 minutes by train and car from the Perth CBD. A subdivision of 600 residential lots, with a projected selling life of 5 years, is planned for the site, which is in close proximity to two commuter railway stations. This project has been named Emerald Park.

Construction of the first development stage of approximately 90 lots is under way and the first titles are expected in mid-2009. Stage 1 will also incorporate a builders' village.

Sales at the company's major project in the northern corridor, The Kestrels, have been steady during the first half, however conditions have continued to be difficult in Baldivis and Mandurah, both in Perth's south west corridor, as referred to in the company's first quarter update.

#### **Built form**

The company's Waterline Apartments project at Halls Head, in Mandurah, WA was completed at the end of the 2008 financial year. This project comprises 18 luxury apartments and a Dome café situated in a prime location, providing uninterrupted views over Halls Head Beach.

With one third of the apartments sold, the company has 12 remaining apartments available for sale. The apartment market in Mandurah is currently weak and buyer enquiry has diminished although the company is well positioned for any market recovery with an excellent product available.

The first stage of a series of luxury waterfront homes at Mariners Cove Canals is progressing well, with 6 of the first 8 homes already pre-sold. Known as The Landings these premium homes will

continue to be marketed and developed during FY2009 and the first stage is expected to be completed in the second half. A second, 6-home stage is now under way for delivery in FY2010.

### **Victorian projects preparing for settlement**

The company continues to experience good sales activity at its Melbourne projects, two of which are entering an exciting phase as the first residential stages approach completion.

Since its successful launch, Williams Landing, in Melbourne's west, 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 residential stage, due for settlement in FY2010.

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

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.

As a result of these pre-sales, the company has already met its FY2009 sales target for its Melbourne projects and these sales will underpin a substantial second half profit.

The company's Footscray development, Banbury Village, will soon be launched. Just 6 kilometres from the Melbourne CBD, this project will become a 250 dwelling development, to include a range of townhouses, apartments and terrace housing.

### **FINANCING**

During the first half the company's financiers extended the \$114m corporate finance facility to a three year evergreen facility. Under the term of the facility, it is available until at least 30 September 2011. The extended term provides the company protection against the need to refinance during this period of volatility in world debt markets. The company also established a new facility with National Australia Bank for its Helena Valley project. Together with separate limited or non-recourse facilities for the built form projects, combined funding is in place to provide the company with capacity for future development and portfolio growth.

### **OUTLOOK**

#### ***Economy***

Growth forecasts for the Western Australian and Victorian economies have been revised downwards in the light of the anticipated impact of the world economic downturn.

Whilst the national property market has weakened due to 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.

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 translate to improved housing affordability.

#### ***Outlook***

Significant presales are due for delivery in the latter part of the financial year, and accordingly the second half is expected to be significantly improved.

Accordingly a full year net profit of approximately \$9m is forecast, based on current trading conditions, completion of a number of project stages and the settlement of significant presales scheduled for the second half of the financial year.

The effect of the various stimulus packages referred to above is assisting the first homebuyer market but has yet to flow through to the broader market, and the company will continue to monitor conditions prior to issuing further earnings updates for the full year and into FY2010.

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

Extension of the three year evergreen bank facility has been secured and the diverse portfolio of projects, with approvals in place, positions the company to deliver earnings growth and value for shareholders.

*For further information please contact:*

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