



July to December 2009

Half year report to shareholders

Cedar Woods Properties Limited

ABN 47 009 259 081



FIRST HALF SUMMARY

Cedar Woods Properties Limited reported a net profit of \$9.9m for the half year to 31 December 2009, a much improved result on the corresponding period in 2008.

Sales have continued to improve at a number of the company's estates as the housing recovery gains momentum. A number of stages were completed, particularly at the Melbourne projects and the revenue and earnings from these were recorded in the first half.

For the second half, the company has approximately \$50m in presales in respect of stages expected to be delivered prior to 30 June. The company has achieved all of the presales it requires to meet its full year net profit forecast of \$15m and is now pre-selling product for the 2011 financial year.

The 2010 full year profit forecast is based on the completion of stages under construction and settlement of the bulk of the associated presales, of which the company is highly confident. The number of settlements forecast for the second half is lower than the number that was achieved in the first half due to the programmed timing of completion of stages under construction.

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 and variation in earnings from half year to half year is likely to continue.

In light of the strong first half, the Board has decided to pay a fully franked interim dividend of 5 cents per share on 30 April 2010. The Board will maintain the current policy of distributing approximately 50% of full year net profit, with the balance to be paid as a final dividend. The dividend reinvestment plan will remain in place for the interim dividend.

A highlight of the first half was the purchase of a prestigious 2.5 hectare site in the Melbourne suburb of Camberwell, of which further details can be found on page 13 of this report. This acquisition supplements the three existing projects in Melbourne which have been highly successful.

Highlights

Late in the first half the company completed a small equity raising by way of an underwritten dividend reinvestment plan, successfully raising \$4.0m. The company continued to retire debt during the first half, with the corporate bank facility drawn to only \$39m of the available \$100m. This positions the company well, with funding capacity to make further acquisitions.

The national property market has begun to shake off the difficulties imposed by the global financial crisis and has benefitted from improved affordability brought about by low interest rates and the boosts provided by Federal and State government initiatives. While the government stimuli were primarily aimed at the first home buyer market, a broader recovery is now emerging in the housing market and the company has experienced an improvement in traffic and in sales at its residential estates.

Renewed confidence in financial markets since early 2009 and the company's improving performance have had a positive impact on the company's share price. Your Board is pleased to note that the share price has more than doubled since the market experienced a low point in early 2009 and has generally outperformed the sector since that time.

First half net profit of \$9.9m, forecasting a full year net profit after tax of approximately \$15m

Interim dividend of 5 cents per share fully franked

Dividend reinvestment plan remains in operation

\$50m in presales at projects completing in the second half

Strong balance sheet with low gearing

Acquisition of 2.5 hectare residential site in Camberwell, Vic



“Demand has been strong at the company’s Kestrels estate in the northern corridor with recent releases sold out and price growth achieved.”

Project review: Western Australia



PROJECT REVIEW: WESTERN AUSTRALIA

During the first half the Western Australian property market showed further signs of recovery and the company's estates have enjoyed improved sales. This confidence has enabled the company to launch a new apartment project in Rockingham and proceed with the planning for new residential estates.



The Jetty – artist's impression

Construction has commenced on Cedar Woods' boutique, luxury apartment development, 'The Jetty'. The apartments boast absolute beach frontage and magnificent sunsets over the pristine Palm Beach. More than half of the 15 well protected, north facing apartments have been sold including two penthouses. The commercial space on the ground floor facing the new Palm Beach jetty has also been sold, and a small café will be opened, adding additional ambience to the development. The high level of pre-sales represents an excellent achievement and is testament to the quality of The Jetty. Designed by respected architects McDonald Jones, the four storey apartment building will become a major feature of the rejuvenated Rockingham coastline. Completion of The Jetty is due in the 2012 financial year.

Sales at Cedar Woods' first land syndicate in Wellard, a new town only 30 minutes by train and car from the Perth CBD continue to improve. The first stage is now over 70% sold and settlements commenced at the end of the first half. The company derived its first income from management fees for this project, with these fees expected to continue over the life of the project, expected to be more than 5 years. Stage 2 of the project has recently been released with encouraging early sales in this project expected to ultimately yield more than 600 lots.



Mandurah Country Club townhouses

Demand has been strong at the company's Kestrels estate in the northern corridor with recent releases sold out and price growth achieved. The company is now developing the eighth and final stage of this 500-lot development with the final lots expected to settle in early FY2011. The Kestrels is a Housing Industry Association (WA) GreenSmart estate and won the 2006 City of Wanneroo Environmental Excellence Award.

Strong demand has also been experienced at the company's 'Cambridge Waters' estate in Canning Vale. In an inner southern suburb only 20 minutes from the Perth CBD, this medium density residential project provides a wide choice of housing options for the growing Canning Vale community. The development is opposite a regional shopping centre and is set amongst attractively landscaped parklands and lakes with stunning water features.

With the first two stages of residential lots sold out, the company released a new stage of lots in this popular estate. Comprising 17 standard residential lots and 26 strata title lots, all of these lots have now been sold, completing this attractive estate.

The Rivergums residential estate in Baldivis will ultimately provide around 1200 dwellings plus primary and secondary schools. The estate boasts a network of lakes, wetlands, and beautifully landscaped parks. Environmental initiatives include restoration of a degraded wetland, conservation of the local frog population and the revegetation of the adjoining Tramway reserve.

PROJECT REVIEW: WESTERN AUSTRALIA

The Rivergums was also one of the first Housing Industry Association (WA) 'GreenSmart' developments, promoting efficient energy and water use. Sales have picked up at Baldivis and the majority of the seventh stage, which incorporates a number of display homes, is now sold. The company is turning its focus to the prime land that surrounds the central lake and the land to the north of the estate which will offer views across significant public open space. This phase of development is expected to commence in FY2011.

The company has a limited number of premium apartments and townhouses available for sale in Mandurah and a number of sales have been achieved in these developments during the first half. This segment is recovering slowly, and as conditions improve the company is well positioned with an excellent product range to boost both sales and earnings in future years.



Coming soon

Harrisdale Green, south east of Perth, will deliver more than 500 homes with a 6-star energy rating in a joint venture with the Department of Housing. The project is strategically placed between the established suburb of Canning Vale and Armadale Regional Centre within Perth's south eastern urban corridor and has easy access to Roe, Tonkin and Kwinana Freeways. On completion the project will include an exciting mix of local shops, offices and showrooms.

The planned redevelopment of a former TAFE site in Perth's middle northern suburb of Carine is the company's first project to be conducted in cooperation with the Western Australian state government (LandCorp). Cedar Woods and the St Ives Group were selected through a highly competitive tender process as the preferred project partners. The redevelopment will include residential aged care, a retirement village, mixed use development and residential townhouses and apartments. The St Ives Group is one of the state's leading providers of aged care and retirement housing.

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.

Townhouse courtyard at The Landings





"A landmark, off-the-plan auction set a new benchmark in June 2009 with the auction of a four bedroom home yielding impressive results..."

Project review: Victoria



PROJECT REVIEW: VICTORIA

The company's Melbourne developments achieved a number of milestones during the first half.

williamslanding



Carlingford



Unprecedented demand continued at Cedar Woods' flagship development, Williams Landing. Over 475 lots have been sold since launch in March 2008 with the last four releases in 2009 selling out on the day of sale. Stages 1 to 4 have been constructed and titled. Over 100 homes are now under construction and December 2009 saw the first residents move in.

Williams Landing is 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.

Williams Landing is a landmark development with a 50 hectare regional town centre currently being designed. The Victorian Government will commence construction of the train station this year, followed by the Palmers Road freeway connection.

One of Victoria's largest display home villages is launching in March 2010 comprising 52 homes by 15 builders and this is expected to be a significant drawcard for future buyer activity. Named 'Inspiration', the display village will include renowned builders Metricon, AV Jennings, Burbank, Carlisle and Porter Davis.



Banbury Village – artist's impression

Apart from the new railway station to be built on the southern boundary of the estate, 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.

At 'Carlingford' at Lalor in the city's northern suburbs, the company has now sold all lots in the third and fourth stages and has met the level of presales budgeted for FY2010. Stage 3 was delivered in the first half and stage 4 is under way for completion in the second half.

Expected to ultimately yield more than 600 lots, this estate has now matured and the first half saw the completion of significant public open space including the children's playground area.

Carlingford is adjacent to established urban development and hence 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 and well-known builders. With some homes already open now for viewing, the display village features one and two storey designs by Lentini, JG King, Zuccala, Places and Simonds.

PROJECT REVIEW: VICTORIA

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. 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.

Construction and sales are well underway at Banbury Village. The residences are all architecturally designed, come with a 6-star energy rating and are complete with quality internal fittings and finishes. The first 10 houses and 18 townhouses are under construction and the first six releases comprising 65 homes are 100% sold-out. Around 80 homes are expected to be delivered during FY2011.

A landmark, off-the-plan auction set a new benchmark in June 2009 with the auction of a four bedroom home yielding an impressive 67 bids, culminating in a selling price of \$804,500.

Coming soon

Cedar Woods finished off 2009 with the \$22.5m purchase of a 2.5 hectare residential development site in the blue chip Melbourne suburb of Camberwell.

Only 12 kilometres from the CBD, the development is expected to yield 70-100 premium new homes and townhouses. The site integrates with the Back Creek Trail connecting to Lynden Park and the Riversdale Road shops and tram line.

Excellent amenities surround the location: prestigious private and government schools, tram, train and bus routes, local cafes and shops including Camberwell Junction. Ample outdoor recreation opportunities exist with local parks, reserves and bike trails.

With very little supply of new housing in this established suburb and a median home price of \$1.3 million, interest in the development is already strong. Set amongst majestic trees and established residences, this development is a rare find. In coming months the company will commence a registration campaign for those wishing to buy at Camberwell.

Banbury Village – artist's impression



COMPANY OUTLOOK

Economy

The domestic economy gained momentum during the second half of 2009 and the outlook for 2010 is positive.

The national residential property market is showing further signs of recovery, driven by the lack of housing stock and continued population growth in the capital cities which is expected to see healthy sales levels and price growth in the sector.

While the Reserve Bank has begun to lift interest rates over recent months, this has been in response to the improving economy. The fall in unemployment and lift in business investment is driving up consumer confidence and this is contributing to activity in the property market.

Outlook

The company is well placed to take advantage of improved market conditions, with a good product range and sufficient stock levels and a large bank of presales in place, particularly at its Melbourne projects.

The company has ample funding in place to undertake all of its scheduled developments.

The company is anticipating a full year profit of approximately \$15m and will provide further guidance at the end of the third quarter.

In the medium term, the increased contribution from the Melbourne projects, new projects entering the development phase and syndicates will supplement earnings. The company has already put in place a significant number of presales for delivery in the 2011 financial year.

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



FINANCIAL COMMENTARY ON THE FIRST HALF RESULT

Revenue was up 346% in the first half as a result of the increase in settlement income, mainly in Melbourne. There was no income in Melbourne in the corresponding period of the previous year (pcp).

The first half result included \$0.1m for 'mark to market' gains on derivative financial instruments, a write down of \$0.9m in respect of one smaller property in the portfolio and provisions of \$0.5m for non-recovery of receivables.

By comparison, the operating loss in the pcp included \$1.7m in write downs of property options and losses associated with 'mark to market' adjustments for derivative financial instruments.

Due to strong settlement income, the company's net debt reduced from \$48m at 30 June to \$39m at 31 December, providing a net bank debt / equity ratio of 38%, well within the company's target range of 20%-75%. Debt is expected to be at a similar level at 30 June 2010.

Financing

The company's \$100m corporate finance facility with Suncorp is available until 30 September 2011. As noted above, debt is drawn to less than half of the facility limit, providing ample capacity to fund operations and growth.

Suncorp has announced publicly that it is withdrawing from the property development finance market and will not be renewing facilities of this nature.

The company has entered into discussions with several banks with respect to replacing the Suncorp bank facility well before its expiry. It is anticipated that new banking arrangements will be announced in the coming months as these negotiations are completed.

Further details are provided in the company's stock exchange announcement and half year accounts lodged with ASX on 19 February 2010.

Interim dividend details:

Dividend declared	5 cents per ordinary share
Franking	100% franked
Record date	16 April 2010
Payment date	30 April 2010
Dividend reinvestment plan	Available for interim dividend



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2009

	Half Year 2009 \$'000	Half Year 2008 \$'000
Revenue	59,433	13,332
Cost of sales	(35,547)	(10,278)
	23,886	3,054
Other income	1,515	1,318
Other expenses:		
Project operating costs	(4,518)	(5,119)
Occupancy	(258)	(171)
Administration	(3,472)	(3,262)
Finance costs	(1,366)	(1,789)
Depreciation and amortisation expense	(116)	(109)
Unrealised financial instrument gains/(losses)	87	(469)
Share of net profits (losses) of associates accounted for using the equity method	8	(81)
Write down of non-current assets	(1,533)	(1,223)
PROFIT (LOSS) BEFORE INCOME TAX	14,233	(7,851)
Income tax (expense) benefit	(4,294)	2,282
PROFIT (LOSS) FOR THE HALF-YEAR	9,939	(5,569)
Other comprehensive income		
Changes in the fair value of available-for-sale financial assets, net of tax	—	(6)
Total comprehensive income (loss) for the half-year	9,939	(5,575)
Profit (loss) attributable to members of Cedar Woods Properties Limited	9,939	(5,569)
Total comprehensive income (loss) for the half-year attributable to members of Cedar Woods Properties Limited	9,939	(5,575)
	Half Year 2009 cents	Half Year 2008 cents
Earnings (loss) per share for profit (loss) attributable to the ordinary equity holders of the company		
Basic and diluted earnings (loss) per share	16.9	(9.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	31 December 2009 \$'000	30 June 2009 \$'000
CURRENT ASSETS		
Cash and cash equivalents	523	1,583
Trade and other receivables	1,348	2,319
Inventories	47,576	44,628
Total current assets	49,447	48,530
NON-CURRENT ASSETS		
Receivables	7,350	159
Inventories	117,753	103,421
Investment accounted for using the equity method	3,488	3,480
Available for sale financial assets	16	15
Derivative financial instruments	862	775
Property, plant and equipment	962	990
Investment properties	2,118	2,143
Other	203	3,207
Total non-current assets	132,752	114,190
TOTAL ASSETS	182,199	162,720
CURRENT LIABILITIES		
Trade and other payables	10,589	11,357
Borrowings	–	535
Current tax liabilities	3,598	3,066
Provisions	6,152	4,666
Total current liabilities	20,339	19,624
NON-CURRENT LIABILITIES		
Borrowings	39,849	49,496
Trade and other payables	18,700	–
Deferred tax liabilities	108	112
Provisions	64	210
Total non-current liabilities	58,721	49,818
TOTAL LIABILITIES	79,060	69,442
NET ASSETS	103,139	93,278
EQUITY		
Contributed equity	39,128	34,849
Reserves	855	1,148
Retained profits	63,156	57,281
TOTAL EQUITY	103,139	93,278

KEY PERFORMANCE MEASURES

Six months ended	31 December 2009	31 December 2008
Interim dividend per share (cents)	5	–
Earnings / (loss) per share (cents)	16.9	(9.9)
Interest cover (times)	8.3	N/A
As at	31 December 2009	30 June 2008
Net bank debt to equity (%)	38.1	135.0
Number of shares on issue (m)	60.1	58.2
Net asset backing per share (\$)	1.72	1.35
Share Price (\$)	2.65	0.99



The Rivergums



Company contacts

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Chairman: Mr. William G Hames

Managing Director: Mr. Paul S Sadleir

Company Secretary: Mr. Paul S Freedman

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. 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 company operates a shareholder discount scheme, which 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 for the full terms and conditions.

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.