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2021

Half Year Report

Cedar Woods Properties Limited
ABN 47 009 259 081



TABLE OF CONTENTS

Directors' Report	3
Auditor's Independence Declaration	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Balance Sheet	7
Consolidated Statement of Changes in Equity	8
Consolidated Cash Flow Statement	9
Notes to the Financial Statements	10
Directors' Declaration	14
Independent Auditor's Review Report to the Members	15
Corporate Directory	17

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Cedar Woods Properties Limited during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Cedar Woods Properties Limited is a company limited by shares, incorporated and domiciled in Australia.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Cedar Woods Properties Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

1. Directors

The following persons were directors of Cedar Woods Properties Limited during the whole of the half-year and up to the date of this report, except where stated:

William George Hames (Chairman)

Robert Stanley Brown (Deputy Chairman)

Ronald Packer (Independent Non-executive Director, retired 4 November 2020)

Valerie Anne Davies (Independent Non-executive Director)

Jane Mary Muirsmith (Independent Non-executive Director)

Nathan John Blackburne (Managing Director)

2. Review of operations

The principal continuing activities of the group in the course of the half-year ended 31 December 2020 were that of property developer and investor and no significant change in the nature of those activities has taken place during that period.

A summary of consolidated revenues and results for the half-year ended 31 December 2020 is set out below:

	2020 \$'000	2019 \$'000
Revenue	169,185	128,786
Profit before income tax expense	32,374	14,739
Income tax expense	(9,934)	(4,532)
Net profit attributable to members of Cedar Woods Properties Limited	22,440	10,207

During the half-year the group continued the sale of lots and units at its residential and commercial projects in Australia.

The group's earnings from period to period are dependent upon the timing of the settlements in each development.

Management's focus is primarily on the achievement of full year results and the distribution of profits between half-years may from time to time be uneven due to the timing of settlements of significant projects.

3. Dividends

Since 31 December 2020 the directors have recommended the payment of an interim fully franked ordinary dividend of \$10,497,000 (13.0 cents per share) to be paid on 30 April 2021 out of retained earnings at 31 December 2020.

4. Matters subsequent to the end of the period

On 13 January 2021 the group acquired a 21.7ha site in Melbourne's north, immediately adjacent to the group's existing Mason Quarter project in Wollert. The land was purchased for \$30,000,000, with payment deferred until 2022.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected the group's operations, results or state of affairs.

5. Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out on page 5.

6. Rounding of amounts

The group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the “rounding off” of amounts in the directors’ report and financial report. Amounts in the directors’ report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

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



Nathan Blackburne
Managing Director

Perth, Western Australia
16 February 2021

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Auditor's Independence Declaration

As lead auditor for the review of Cedar Woods Properties Limited for the half-year ended 31 December 2020, 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 review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
16 February 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-year Ended 31 December 2020

	Note	Half-year	
		2020 \$'000	2019 \$'000
Continuing operations			
Revenue	2	169,185	128,786
Cost of sale of land and buildings		(109,365)	(90,292)
Cost of providing development services		(4,600)	-
Gross profit		55,220	38,494
Project operating costs		(12,646)	(11,922)
Administration expenses		(11,232)	(10,493)
Other expenses		(10)	(326)
Other income		2,614	309
Operating profit		33,946	16,062
Finance costs	3	(1,532)	(1,217)
Share of net loss of joint ventures accounted for using the equity method		(40)	(106)
Profit before income tax		32,374	14,739
Income tax expense	4	(9,934)	(4,532)
Profit for the half-year		22,440	10,207
Total comprehensive income for the half-year		22,440	10,207
Total comprehensive income attributable to members of Cedar Woods Properties Limited		22,440	10,207
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		27.9 cents	12.7 cents
Diluted earnings per share		27.6 cents	12.7 cents

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	31 December 2020 \$'000	30 June 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,892	2,691
Trade and other receivables		9,221	8,478
Contract assets		4,095	3,329
Inventories		186,695	157,836
Deferred development costs		7,495	3,523
Current tax asset		-	787
Total current assets		212,398	176,644
Non-current assets			
Receivables		4,991	2,123
Inventories		354,620	401,314
Deferred development costs		5,624	11,010
Investments accounted for using the equity method		626	1,576
Property, plant and equipment		6,953	7,151
Intangible assets		3,306	3,241
Right-of-use assets		1,605	1,906
Investment properties		40,033	40,701
Lease incentives		989	1,076
Total non-current assets		418,747	470,098
Total assets		631,145	646,742
LIABILITIES			
Current liabilities			
Trade and other payables		17,240	26,022
Other financial liabilities	5	16,232	32,075
Current tax liabilities		4,084	-
Contract liabilities		4,785	3,894
Lease liabilities		824	815
Provisions		1,382	1,310
Total current liabilities		44,547	64,116
Non-current liabilities			
Borrowings	6	147,483	145,362
Other financial liabilities	5	35,053	49,736
Lease liabilities		1,060	1,436
Provisions		196	210
Deferred tax liabilities		4,951	7,197
Total non-current liabilities		188,743	203,941
Total liabilities		233,290	268,057
Net assets		397,855	378,685
EQUITY			
Contributed equity	8	129,279	127,781
Reserves		854	568
Retained profits		267,722	250,336
Total equity		397,855	378,685

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-year ended 31 December 2020

	Note	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total \$'000
Balance at 1 July 2019		125,979	427	250,126	376,532
Profit for the half-year		-	-	10,207	10,207
Total comprehensive income for the half-year		-	-	10,207	10,207
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	8	1,638	-	-	1,638
Dividends provided for or paid	7	-	-	(10,653)	(10,653)
Employee share scheme		170	(64)	-	106
		1,808	(64)	(10,653)	(8,909)
Balance at 31 December 2019		127,787	363	249,680	377,830
Balance at 1 July 2020		127,781	568	250,336	378,685
Profit for the half-year		-	-	22,440	22,440
Total comprehensive income for the half-year		-	-	22,440	22,440
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	8	1,407	-	-	1,407
Transfers from reserves to retained profits		-	(27)	27	-
Dividends provided for or paid	7	-	-	(5,175)	(5,175)
Employee share scheme		91	313	94	498
		1,498	286	(5,054)	(3,270)
Balance at 31 December 2020		129,279	854	267,722	397,855

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the Half-year ended 31 December 2020

	Note	Half-year	
		2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (incl. GST)		186,943	137,470
Other income		1,083	-
Payments to suppliers and employees (incl. GST)		(45,120)	(37,965)
Payments for land and development		(129,016)	(114,316)
Interest received		252	300
Borrowing costs paid		(2,261)	(2,870)
Income taxes paid		(7,299)	(10,692)
Net cash inflows (outflows) from operating activities		4,582	(28,073)
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		18	10
Proceeds from capital return from joint venture		910	975
Payments for investment properties		(217)	(112)
Payments for property, plant and equipment		(354)	(207)
Payments for intangible assets		(475)	(1,189)
Net cash outflows from investing activities		(118)	(523)
Cash flows from financing activities			
Proceeds from borrowings		1,985	28,111
Principal elements of lease payments		(487)	(256)
Dividends paid	7	(3,761)	(9,015)
Net cash (outflows) inflows from financing activities		(2,263)	18,840
Net increase (decrease) in cash and cash equivalents		2,201	(9,756)
Cash and cash equivalents at the beginning of the half-year		2,691	13,442
Cash and cash equivalents at the end of the half-year		4,892	3,686

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Cedar Woods Properties Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. Where necessary, comparative information is reclassified and restated for consistency with current period disclosures.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

a) New and amended standards adopted by the group

A number of new or amended standards became applicable in the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December reporting periods and have not been early adopted by the group.

These standards are not expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

PROFIT OR LOSS INFORMATION

2. Revenue

Disaggregation of revenue from contracts with customers

	Half-year	
	2020 \$'000	2019 \$'000
Timing of revenue recognition		
<i>At a point in time</i>		
Sale of land and buildings	160,418	125,614
Development services	6,021	164
<i>Over time</i>		
Rent from properties	2,746	3,008
	169,185	128,786

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3. Expense items

	Half-year	
	2020 \$'000	2019 \$'000
Finance costs		
Interest and finance charges	2,256	3,000
Interest – leases	38	40
Interest – other financial liabilities	1,367	890
Unrealised financial instrument losses (gains)	10	(104)
Less: amount capitalised	(2,139)	(2,609)
Finance costs expensed	1,532	1,217
Depreciation of property, plant and equipment	457	440
Depreciation of investment properties	490	499
Depreciation of right-of-use assets	423	394
Amortisation of intangible assets	416	297

4. Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year, adjusted for current tax of prior periods. The estimated average annual tax rate used for the six months to 31 December 2020 is 31%, compared to 31% for the six months ended 31 December 2019.

BALANCE SHEET INFORMATION

5. Other financial liabilities

	31 December	30 June
	2020 \$'000	2020 \$'000
Current		
Due to vendors of properties under contracts of sale	15,728	31,571
Other payables	504	504
	16,232	32,075
Non-Current		
Due to vendors of properties under contracts of sale	34,899	49,592
Derivative financial instruments	154	144
	35,053	49,736

6. Borrowings

Non-Current borrowings

Bank loans totalling \$205,000,000 (2019: \$205,000,000) are provided by three major banks and are secured by first registered mortgages over some of the consolidated entity's landholdings, and first registered charges, guarantees and indemnities provided by Cedar Woods and applicable subsidiary entities. The group extended its corporate facility in February 2021 following its annual review. The changes included longer facility tenure, with the previous three-year facility now comprising:

\$165,000,000 (approximately 80%) of the facility extending to January 2024; and

\$40,000,000 (approximately 20%) of the facility extending to January 2026.

The group also has an investment facility of \$30,000,000 in place for the Williams Landing Shopping Centre extending to June 2023.

7. Dividends

	Half-year	
	2020 \$'000	2019 \$'000
Ordinary shares		
Dividends provided for or paid during the half-year:		
Paid in cash	3,761	9,015
Satisfied by shares under the dividend reinvestment plan	1,414	1,638
	5,175	10,653

Dividends not recognised at the end of the half-year

Subsequent to balance date, the directors have recommended the payment of an interim dividend of 13.0 cents per fully paid ordinary share (2019 – 12.5 cents), fully franked based on tax paid at 30%. A final dividend is also expected to be paid following the completion of the financial year.

8. Contributed equity

	31 December	31 December	31 December	31 December
	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Movement in ordinary share capital				
Start of the period	80,447,826	80,117,767	127,781	125,979
Shares issued pursuant to the dividend reinvestment plan:				
Ordinary shares issued on 30 October 2020 at \$5.61	252,065	-	1,414	-
Ordinary shares issued on 25 October 2019 at \$6.73	-	243,401	-	1,638
Shares issued pursuant to the bonus share plan:				
Ordinary shares issued on 30 October 2020	10,027	-	-	-
Ordinary shares issued on 25 October 2019	-	25,398	-	-
Transaction costs arising on share issues	-	-	(5)	-
Shares issued under employee share scheme:				
Ordinary shares issued on 27 August 2020	33,376	-	91	-
Ordinary shares issued on 28 August 2019	-	61,260	-	170
Transaction costs arising on share issues	-	-	(2)	-
	295,468	330,059	1,498	1,808
End of the period	80,743,294	80,447,826	129,279	127,787

9. Contingent liabilities

At 31 December 2020 bank guarantees totalling \$24,741,000 (30 June 2020 - \$20,356,000) had been provided to various state and local authorities supporting development and maintenance commitments.

10. Segment information

The board has determined the operating segment based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The board has considered the business from both a product and a geographic perspective and has determined that the group operates a single business in a single geographic area and hence has one reportable segment.

The group engages in property development and investment which takes place in Australia. The group has no separate business units or divisions.

The internal reporting provided to the Managing Director includes key performance information at a whole of group level. The Managing Director uses the internal information to make strategic decisions, based primarily upon the expected future outcome of those decisions on the group as a whole. Material decisions to allocate resources are generally made at a whole of group level.

The group mainly sells products to the public and is not generally reliant upon any single customer for 10% or more of the group's revenue.

All of the group's assets are held within Australia.

The Managing Director assesses the performance of the operating segment based on the net profit after tax, earnings per share and net tangible assets per share.

11. Events occurring after reporting period

On 13 January 2021 the group acquired a 21.7ha site in Melbourne's north, immediately adjacent to the group's existing Mason Quarter project in Wollert. The land was purchased for \$30,000,000, with payment deferred until 2022.

Refer to note 7 for dividends declared since the end of the reporting period.

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DIRECTORS' DECLARATION

In the directors' opinion:

- a. the financial statements and notes set out on pages 6 to 13 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 consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and
- b. there are reasonable grounds to believe that Cedar Woods Properties Limited will be able to pay its debts as and when they become due and payable.

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



Nathan Blackburne
Managing Director

Perth, Western Australia
16 February 2021

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Independent auditor's review report to the members of Cedar Woods Properties Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Cedar Woods Properties Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Cedar Woods Properties Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of management for the half-year financial report

Management is responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as management determines is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
16 February 2021

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CORPORATE DIRECTORY

A.B.N. 47 009 259 081

DIRECTORS

William George Hames, BArch (Hons) MCU (Harvard) LFRAIA, MPIA, FAPI (Econ) – Chairman

Robert Stanley Brown, MAICD, AIFS – Deputy Chairman

Valerie Anne Davies, FAICD – Independent Non-executive Director

Jane Mary Muirsmith, BCom (Hons), FCA, GAICD - Independent Non-executive Director

Nathan John Blackburne, BB, AMP, GAICD – Managing Director

COMPANY SECRETARY

Paul Samuel Freedman, BSc, CA, GAICD

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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AUDITOR

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PERTH WA 6000

SECURITIES EXCHANGE LISTING

Cedar Woods Properties Limited shares are listed on the Australian Securities Exchange (ASX)

ASX code: CWP