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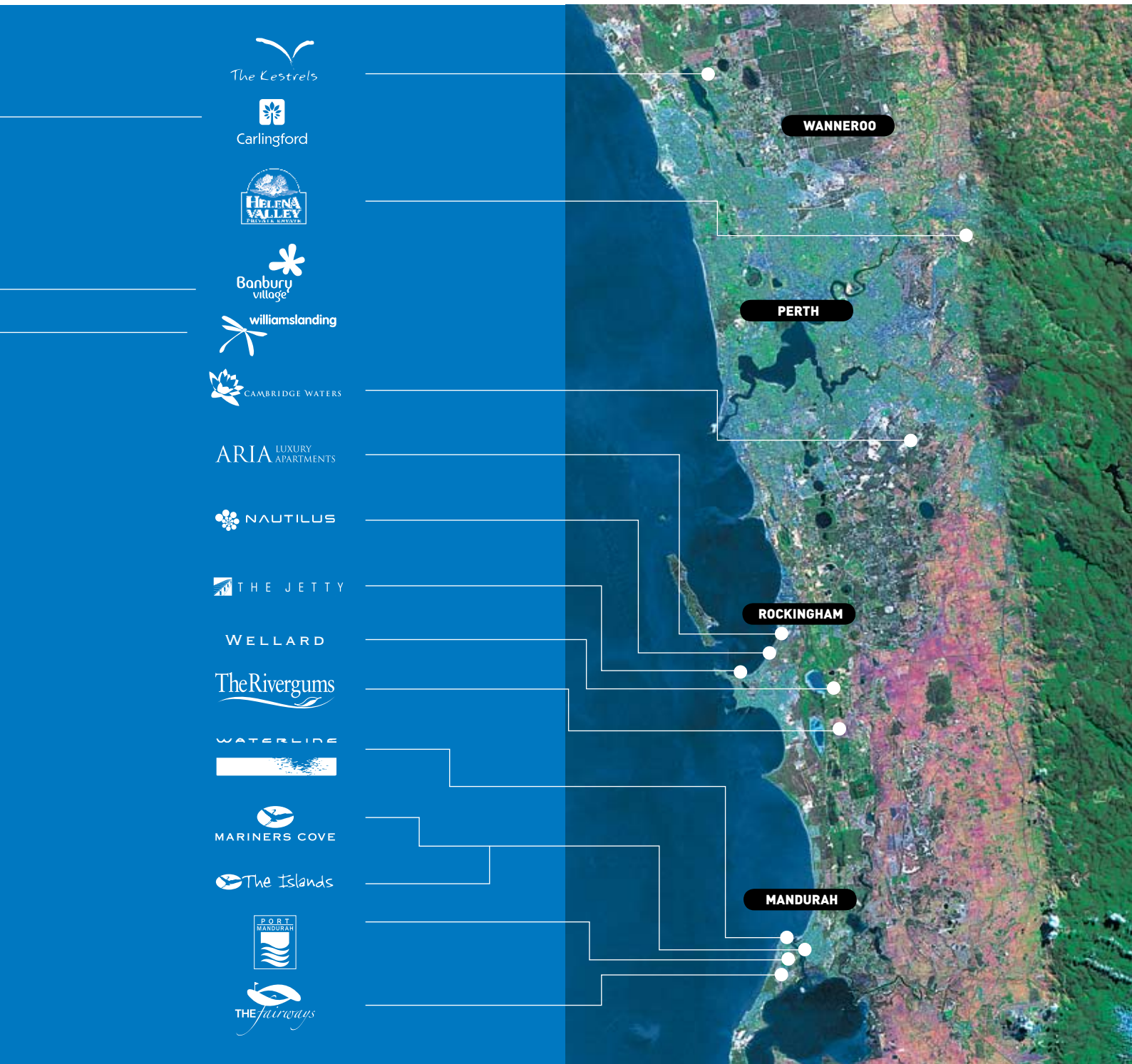
Victoria

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Cedar Woods' project locations in Western Australia and Victoria

Western Australia



Cedar Woods' objective

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

In meeting our primary objective we seek to:-

- communicate the company's progress to shareholders and the investment community;
- satisfy customers' expectations through excellence in property development;
- align the interests of the company and its employees and provide employees with the opportunity of growth and development;
- have our citizenship recognised by the communities in which we operate and be recognised as environmentally responsible; and
- maintain the highest ethical standards.





About Cedar Woods

Cedar Woods Properties Limited is an Australian property development company. The company was established in 1987 and has been listed on the Australian Stock Exchange since 1994, trading under the security code 'CWP'. Its market capitalisation is now approximately \$285m.

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

The Board and management of Cedar Woods 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 has consistently generated profits and dividends for shareholders, whilst achieving excellence in product delivery as recognised by several national awards and many state awards, including the categories "Best Residential Estate" and "Environmental Excellence".

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. Purchasers of the company's land and developed products have enjoyed strong capital appreciation in their investments.

Through the rapid expansion of its build form development portfolio, Cedar Woods has earned a reputation of delivering high quality apartments for both the owner-occupier and investor market.

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.





2007 highlights

- A record profit of \$18.5m;
- earnings per share increased 12%;
- dividends per share increased 13%;
- share price increased 16%;
- Williams Landing achieves significant rezoning; and
- the company is ready to launch 3 major projects in Melbourne.

2007 financial results summary

Year ended 30 June		2007	2006	% Change
Revenue	\$m	90.0	80.5	11.8
Net profit after tax	\$m	18.5	16.2	14.4
Total assets*	\$m	155.6	194.9	(20.2)
Bank debt	\$m	64.9	45.6	42.1
Net bank debt to equity - 30 June	%	89.0	42.3	46.7
Interest cover	x	7	9	(22.2)

Key shareholder information

Year ended 30 June		2007	2006	% Change
Basic earnings per share	¢	33.9	30.3	11.9
Dividends per share – fully franked	¢	17.0	15.0	13.3
Total shareholder return (1 year)	%	20	102	(82)
Net asset backing per share	\$	1.31	1.11	18.0
Shares on issue – end of year	m	54.8	54.5	0.5
Shareholders' equity	\$m	71.6	60.5	18.3
Stock market capitalisation at 30 June	\$m	286.2	244.3	17.1
Share price	\$	5.22	4.48	16.5

Return on equity of 26% exceeded the minimum acceptable return of 12% and return on capital achieved of 23% exceeded the minimum benchmark of 14%.

*Total assets at 30 June 2006 included \$48m in assets owned by Cedar Woods Wellard Limited (CWWL) which

was consolidated at that date. The company sold down its interest in CWWL to 25% during the year and it is no longer consolidated. Ignoring CWWL, total assets have increased by 2.5%.



Report to shareholders

2007 annual result

In 2007 Cedar Woods delivered a record profit of \$18.5m.

2007 was another record year, with strong growth in profits and dividends.

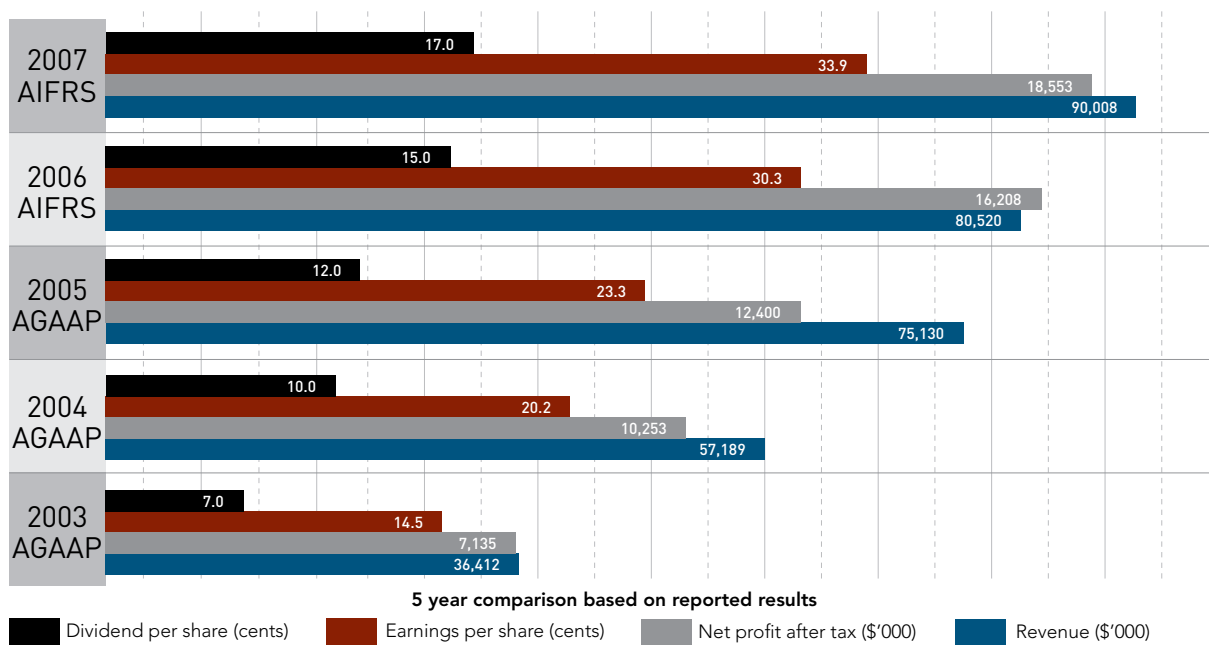
The company's expansion and diversification of the property portfolio continued, with revenue growing to a record \$90m, as new projects came on stream.

Earnings per share growth exceeded the company's target of 10% pa, increasing 12% to 33.9 cents, and a further 0.5 cents per share was realised from the asset revaluation reserve.

Receipts from customers was a record of \$99m which enabled the company to reinvest \$76m in the purchase of new land and development of its projects.

Gearing (net bank debt to equity) at 30 June 2007 was 89%, above the preferred range of 20-75% due to the impact of a number of built form projects. Interest cover (EBIT divided by interest expense) was 7, above the minimum target of 6.

Strong share price gains continued in 2007, with the price appreciating 16%, reflecting buoyant times in Western Australia and market confidence in the company's prospects.



Capital management and the 2007 dividend

During the year the Dividend Reinvestment Plan (DRP) continued in operation. 268,711 shares were issued under the plan which provides shareholders the opportunity to acquire new shares at a 2.5% discount to the prevailing market price, free of brokerage.

The directors have declared a fully franked final dividend of 10 cents, bringing the full year pay out to 17 cents (15 cents in 2006) to be paid on 19 October 2007. Due to the company's current expansion programme, the DRP will continue to operate for the foreseeable future.

The housing sector and the economy

The Australian economy continued growing in FY 2007 with GDP increasing approximately 2.5% and in WA growth was approximately 6%.

Economic growth prospects for FY2008 remain strong, with

forecast growth of 3.75% for the Australian economy. State governments in WA and Victoria have forecast growth of 4.5% and 3.25% respectively. Population growth, strong immigration and employment growth generated by the resources boom are all underpinning housing demand.

The level of home starts in WA is expected to decrease in FY2008 as the housing industry continues to compete with the resources and infrastructure sectors for labour. The level of demand is expected to be above the level of supply, providing support for prices despite the recent cooling in the market. In Victoria, housing starts in FY2008 are expected to be at a similar level to FY2007, but then increase sharply in FY2009 as the housing market enters a growth phase.

After experiencing boom conditions over the last 3-4 years, growth in WA property has moderated in the first half of 2007 as affordability of housing has become historically low. In Victoria, price growth is expected to improve in line with stronger economic growth.



Report to shareholders

Projects

After a very buoyant first half, demand returned to more sustainable levels in the second half at the company's residential estates, and development of new stages were completed at Mariners Cove, The Rivergums and The Kestrels.

At Rockingham, the first stage of the Nautilus Apartments project was successfully completed and significant progress was achieved at Waterline Apartments and The Fairways in Mandurah.

Details of progress at the projects commence on page 26.

Corporate objectives and strategy

The Corporate Plan guides the management team's activities and once again 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 and other key performance indicators under various scenarios.

We also undertook benchmarking against peer companies as well as the listed industrial market.

Consistent delivery of 10% pa growth in earnings per share places a company in the upper half of listed industrial companies and this target has been retained as the company's primary objective.

In pursuit of this objective, there are a number of key action items in the Corporate Plan that are adopted as performance targets by senior executives, sales managers and other employees.

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:

- changes in the level of demand in the property market;
- increases in interest rates;
- reduction in Government support for the housing sector;
- increased construction costs for both land subdivision and buildings; and
- increased competition and reducing affordability.

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

Key strategy areas in the Corporate Plan were endorsed by the Board and are as follows:

- Ongoing development of existing projects.
The company's core competency is in property development and the company continues to ensure design, delivery and marketing to maximise the return the company receives.
- Diversification of the property portfolio.
The company has entered into options or similar agreements for several exciting new projects in Western Australia and continues to seek ways to diversify and grow its portfolio.
- Identification and acquisition of new projects.
In recent years the company has supplemented its land bank with key acquisitions in WA and Victoria. These additions will contribute to earnings growth for the next five years.
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 and syndicates to leverage the company's skill base.
The company is undertaking one joint venture and in 2006 established its first wholesale syndicate in Perth, Cedar Woods Wellard Limited. The syndicate is progressing well and is expected to provide a steady stream of management fees over a 5-8 year period. The company expects to add additional syndicates in due course.
- Retaining ownership of income producing assets.
The company has started to build up a portfolio of income producing assets that will provide a recurring income stream. This portfolio is likely to be expanded with assets that the company will develop at Williams Landing and at other estates where sites are designated for commercial or retail buildings.

Triple bottom line objectives and reporting

Last year we outlined our commitment to develop a Sustainability or Triple bottom line assessment and reporting framework to increase the uptake of sustainability initiatives in our projects and to monitor and measure our achievements in creating sustainable vibrant communities. In fulfilment of this commitment, we developed Sustainability-ART (Assessment and Reporting Tool) as a means of integrating sustainability considerations into the whole life cycle of our projects. An overview of Sustainability-ART, its objectives, criteria, methodology, outcomes achieved to date and

related sustainability initiatives will be consolidated into a Sustainability Report to be released in 2008.

The development of Sustainability-ART has led to the formulation of a comprehensive set of objectives which are now being used to set Triple bottom line strategic goals and headline indicators to measure performance on a project basis. These objectives also provide a framework for reporting on a broader corporate basis.

In this report, headline environmental and community development objectives combine with financial reporting to provide **Triple bottom line report cards**. These are set out in the Review of Operations.



Report to shareholders

People

The company's management team has been expanded to provide a platform for future growth in the Perth and Melbourne offices.

Continued emphasis was placed on broadening the company's skill base through management and staff development.

The company also supports various industry groups, such as the Property Education Foundation of WA which focuses on improving the skill base of property professionals on which the company relies. The company helps the Foundation in attracting graduate level candidates to the development industry by participating in the annual internship program.

Corporate governance and Board composition

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.

We were pleased to have Mr Ronald Packer join the Board as an independent non-executive director in June 2006. His experience with ASX listed entities, together with his in-depth property knowledge have made him a valuable addition to the Board.

In October 2007 Mr Dwane Buckland will retire from the Board after 13 years of service as an independent director and as Chairman of various board committees for most of that period. Our thanks and appreciation goes to Dwane and we wish him and his wife Lois a happy retirement.

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

You will find a detailed corporate governance statement commencing on page 31.

Outlook

This will be an exciting year for the company as it progresses its expansion in Melbourne and commences development at Williams Landing and its other two Melbourne projects.

The company's project portfolio has been expanded in recent years and with most approvals in place, the company is well positioned to develop its projects to meet future demand.

The company remains focused on its primary objective of growth in earnings and has managed the project portfolio to enable it to deliver consistent earnings growth into the future. As a result, the company is able to be highly selective in making further acquisitions.

With the successful first wholesale syndicate completed last year, the company is optimistic that further new syndicates will be added in the next 12 months.

For FY2008 the company is forecasting continued growth in net profit and expects to meet its target of 10% growth in earnings per share and deliver a net profit of approximately \$20m, with the majority of this profit expected to be delivered in the second half.

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



William G Hames

W G HAMES
CHAIRMAN



P S Sadleir

P S SADLEIR
MANAGING DIRECTOR









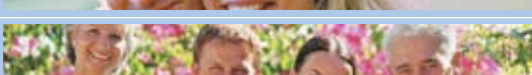


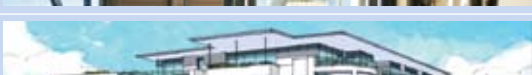




Quality assets forming a diversified portfolio

	State	Purchased	Developable Area (ha)	Remaining Life (Years)	Attributes
Waterfront residential land					
- Mariners Cove, Mandurah	WA	1993	103	5	Limited availability
- Port Mandurah (Sutton precinct)	WA	1990	2.1	2	Waterfront appeal
Residential smart growth					
- The Rivergums, Baldivis	WA	2001	114.5	8	Established estate in southern growth corridor
- The Kestrels, Tapping	WA	2003	50	5	Established estate in northern growth corridor.
- Helena Valley Private Estate	WA	2005	8	2	Urban growth hot spot
- Forrestdale	WA	2005	15	2	Medium term project
- Wellard (25% owned)	WA	2006	47	5-7	Syndicate established
Mixed use/mixed density					
- Williams Landing, Laverton	VIC	1998	220	15	Multi segment appeal
- Banbury Village, Footscray	VIC	2006	9	5	Remediated industrial site
- Carlingford, Lalor	VIC	2006	56	7	Strategic northern suburb site
- Cambridge Waters, Canning Vale	WA	2002	8.3	2-3	South east growth corridor
Built form					
- Nautilus, Rockingham	WA	2003	0.5	1	Prime waterfront village location
- Waterline, Halls Head	WA	2005	0.5	2	Prime waterfront location
- The Fairways, Mandurah Country Club	WA	2005	0.9	1	Cashed up "baby boomer" purchasers
- The Jetty, Palm Beach	WA	2005	0.2	1	Waterfront location

2007 Achievements

Growth Opportunities

Successful launch of 'The Landings' waterfront homes	Series of waterfront homes and other high density development.	
Progressed plans for development	Medium density housing	
Recognition of GreenSmart Initiatives	Built form product. Neighbourhood shopping centre.	
City of Wanneroo Environmental Excellence Award	Medium density housing	
Approvals in place	Niche foothills market	
Planning progressed for development.	Located in growth area	
Progressed MRS rezoning of property.	Southern growth corridor	
Rezoning achieved.	Leasehold and built form opportunities	
Achieved rezoning for residential development	Built form product	
Progressed rezoning	Medium density development	
Launched second stage.	Apartments.	
Stage 1 completed. Stage 2 sold out and under construction.	Leasing of retail units has commenced.	
Property under construction 30% presold.	Stage 2 short stay units	
80% presold.	Niche golf market	
Planning progressed.	Leasehold opportunity	

Review of operations

Pursuant to our initiative to introduce Triple bottom line reporting for our shareholders, the review of operations now incorporates a financial report, environmental performance report and community development report.

Financial report

Triple bottom line report card	
Financial objectives	Outcomes
Earnings objective:	
<ul style="list-style-type: none"> To achieve annual growth in earnings per share of 10%. 	<ul style="list-style-type: none"> The company achieved earnings per share growth of 12% during the 2007 financial year.
Return on equity objective:	
<ul style="list-style-type: none"> To achieve a minimum return on equity of 12% per annum. 	<ul style="list-style-type: none"> The company achieved return on equity of 26% during the 2007 financial year.
Return on capital objective:	
<ul style="list-style-type: none"> To achieve a minimum return on capital of 14% per annum. 	<ul style="list-style-type: none"> The company achieved return on capital of 23% during the 2007 financial year.
Net bank debt to equity objective:	
<ul style="list-style-type: none"> To maintain net bank debt to equity within the preferred range of 20-75%. 	<ul style="list-style-type: none"> Whilst the company's debt to equity fluctuated during the year, at 30 June 2007 the ratio was 89%, above the preferred range, due to the impact of built form projects (see below).
Interest cover objective:	
<ul style="list-style-type: none"> To achieve interest cover at a minimum level of 6 times. 	<ul style="list-style-type: none"> Interest cover of 7 times was achieved during the year.
Financial reporting objective:	
<ul style="list-style-type: none"> To communicate the company's progress to shareholders and the investment community. 	<ul style="list-style-type: none"> The company was awarded a Silver Award for its 2006 Annual Report by the Australasian Reporting Awards Inc.

Our growth orientated strategy resulted in:

- 14% increase in net profit after tax to \$18.5m;
 - 12% increase in earnings per share to 33.9 cents;
 - 18% increase in shareholders equity to \$71.6m (excluding minority interest in 2006); and
 - 18% increase in Net Tangible Assets per share to \$1.31.
- Benchmarked to its primary objective, the company exceeded its earnings growth target of 10% by delivering earnings per share growth of 12%.

The result in the first half of the financial year was stronger than the second half, due to a larger number of settlements occurring in the first half of the year. In summary, the results of the two half years were as follows:

	First half	Second half
Revenue (\$m)	63.5	26.5
EBIT (\$m)	22.4	8.9
NPAT (\$m)	13.8	4.8
Earnings per share (cents)	25.3	8.6

Net bank debt to equity was high as a result of the impact of several built form projects under way at that time, due for completion in FY2008. Debt finance for built form projects is typically arranged on a low or non-recourse basis to the parent entity and secured over a high level of pre-sales in the underlying project. As the company moves forward, built form projects will continue to be a prominent feature of the company's operations and the

company is likely to continue to see debt to equity around the top end of the company's target range. Based on the value of company's underlying property portfolio and the high level of interest cover, the company is comfortably able to service its borrowings.

Reference should be made to the financial performance summary on page 44 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 26 to 30 of this report.



Review of operations

Cash flows at a glance

A detailed cash flow statement is provided on page 21 of the financial statements. A simplified summary of the major inflows and outflows is provided below with comparatives for the previous financial year.

\$m	FY2007	FY2006
Inflows		
Receipts from customers	99	88
Proceeds from share issue	-	5
Proceeds from share issue to minorities by subsidiary	-	8
Net funds raised from financiers	19	7
	118	108
Outflows		
Payments to suppliers and employees	27	19
Payments for new land and development expenditure	76	53
Net borrowing costs	6	4
Taxes paid	7	6
Dividends paid to shareholders	7	9
Cash outflow arising from part sale of Cedar Woods Wellard Limited resulting in surrender of control of subsidiary.	11	-
	134	91
Net change in cash	(16)	17

The company increased operating inflows from its customers by 12% as a response to increased revenue.

A substantial investment was made in new land and development. This included over \$40m in new land and over \$35m in development expenditure on projects which will contribute to earnings in FY2008 onwards. Funds were raised from financiers to assist with financing the acquisitions.

The company made tax payments of \$7m and paid shareholders' dividends of \$7m.

The company sold down its interest in Cedar Woods Wellard Limited from 50% to 25% and hence the net assets of CWWL, including cash on hand, were deconsolidated.

Interest rates and foreign exchange

During the 2007 financial year the Reserve Bank increased official interest rates by 0.5%. This was followed up by a further 0.25% rise in August 2007. The company has a low exposure to the 'first home buyer' market and hence was not unduly affected by the rate increases. Despite these moderate increases, the company anticipates that overall demand in the market will remain steady into FY2008. The company has put in place strategies to manage risk associated with interest rate increases over the next 5 years.

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

Business risks and competition

Business risk is addressed during the preparation of the 5 year Corporate Plan, and as part of the company's risk management program. 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. The timing and pricing of new releases is carefully considered in the context of existing and foreseen competition.

Annual reporting award

The company received a Silver Award from the Australasian Reporting Awards Inc. in recognition of the high quality of reporting in its 2006 Annual Report. This is the third consecutive year the company has received this award.



Environmental performance report

Triple bottom line report card	
Corporate objective	Outcomes
To be recognised as environmentally responsible.	<ul style="list-style-type: none"> • Recognised through the receipt of two environment based industry awards and nominated as 'highly commended' for water sensitive urban design.
Project 'sustainable community' objectives	
<p>Environmental enhancement</p> <p>Objective: Actively seek to remediate, protect and enhance areas of environmental significance and protect biodiversity.</p>	<ul style="list-style-type: none"> • Active foreshore protection, rehabilitation and management. • Protection of native vegetation. • Remediation of contaminated sites.
<p>Green estates & buildings</p> <p>Objective: Provide for resource efficient, comfortable and healthy buildings through energy efficient lot orientation and building controls.</p>	<ul style="list-style-type: none"> • Maximised solar orientation of lots. • Promotion of passive solar home design through estate design guidelines.
<p>Urban water management</p> <p>Objective: Manage the total water cycle in a manner that promotes efficiency and preserves ecosystem health, reduces demand on potable water and improves 'at source' protection of water quality.</p>	<ul style="list-style-type: none"> • Application of water sensitive urban design in all land subdivision projects. • Recognition of best practice in storm water management through the 'snake' drain initiative at Mariners Cove.
<p>Waste minimisation & recycling</p> <p>Objective: Reduce the amount of waste sent to landfill and promote efficient use of resources.</p>	<ul style="list-style-type: none"> • The company requires all building companies to submit a waste management plan which requires waste materials being sent to a recycling facility.

A headline achievement this year is the recognition the company received for its long term commitment to the Housing Industry Association (HIA) GreenSmart Code of Practice, which has been applied at The Rivergums, The Kestrels and Mariners Cove. This commitment was first recognised in 2003 when Mariners Cove won the inaugural HIA GreenSmart Development of the Year. This year the company was recognised for the collaborative partnerships it has formed over the years with state government agencies, local government, building companies and other project contractors, including landscapers and horticulturists, in its on-going commitment to GreenSmart.

HIA GreenSmart involves implementing best practice in the areas of:

- energy efficiency through good solar orientation of lots and encouraging purchasers to build solar passive design homes through the use of 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; and
- stormwater and nutrient management of runoff.

Another significant achievement was The Kestrels taking out the 2006 City of Wanneroo Environmental Excellence Award. The Kestrels stood out from its competitors through site responsive innovation in the areas of environmental rehabilitation, vegetation protection through the strategic placement of open space and the relocation of native plant species, low water use landscaping and irrigation techniques, sustainable stormwater management achieving wetland and ecosystem enhancement through groundwater recharge, energy efficient lot and home building requirements and community education. The company has also committed to construct an affordable, sustainable demonstration home, in partnership with the City of Wanneroo, at The Kestrels.

Review of operations

The company was recognised for excellence in water management at the 2006 inaugural Water Awards. The joint Cedar Woods and City of Mandurah Snake Drain at Mariners Cove was 'Highly Commended' in the local government category and was a finalist in the Water Conservation and Efficiency category.

Other environmental initiatives over the year include:

- foreshore rehabilitation and management at Mariners Cove, where on-going management responsibilities for the Creery Wetlands have now been handed over to the Department of Environment and Conservation;
- creation of a conservation management plan for the grasslands at Williams Landing, which provides for the salvage of local species prior to development and maintenance of reserves previously established by the company; and
- remediation of a former industrial site in Footscray, Melbourne which will permit the future development of a landmark high density residential project.

Our track record and growing identity as an 'Award Winning Developer' continues to be reinforced as our list of awards continues to grow.



2007	Cedar Woods	HIA (WA) GreenSmart Partnership Award
2006	Mariners Cove	WA Water Award: Highly Commended (Snake Drain)
2006	The Kestrels	City of Wanneroo Environmental Excellence Award
2005	Mariners Cove	UDIA National Best Residential Development 250 or More Lots Award
2004	Mariners Cove	UDIA (WA) Best Residential Development 250 or More Lots Award
2004	Mariners Cove – The Islands	Landscape, Design and Irrigation Excellence Award (Best parks, Recreational Areas and POS category)
2003	Mariners Cove	HIA Inaugural GreenSmart Development of the Year
2003	Mariners Cove	UDIA National Environmental Excellence Award
2002	Mariners Cove	UDIA (WA) Environmental Excellence Award
2000	Leeward Port Mandurah	UDIA National Best Residential Development under 250 Lots Award
1999	Port Mandurah Stage 3	UDIA (WA) Best Residential Development under 250 Lots Award
1997	Port Mandurah Stage 2	Civil Contractors' Association – Case Earth Award
1997	Port Mandurah Stage 2	UDIA National President's Award
1996	Port Mandurah Canals	UDIA (WA) - Best Residential Development under 250 Lots Award

Community development report

Triple bottom line report card	
Project 'sustainable community' objectives	Outcomes
<p>Community development</p> <p>Objective: To engage with existing and activate new communities by providing facilities, services and initiatives which promote community cohesion, contribute to the local economy and provide opportunities for people to meet and gather.</p>	<ul style="list-style-type: none"> • Construction and sale of Charity Home to raise funds for the Paediatric Unit at the Peel Health Campus. • Fundraising for Murdoch Community Hospice. • On-going sponsorship of community events in all project areas.

Cedar Woods recognises the important role it plays in Community Development, which we define as being made up of community engagement and community activation. Engagement is what we do to reach out and be responsive to the needs and aspirations of existing communities affected by our projects and the partnerships we develop to bring benefits to the broader community. Activation reflects what we do to foster the development of vibrant new communities within our project areas and to integrate new residents into existing social networks.

Some of our 2007 initiatives are highlighted below.

- In conjunction with the Peel Health Foundation, Cedar Woods sponsored the construction of a Charity Home in Mariners Cove. The beautiful 4 bedroom, 2 bathroom home, constructed by Pindan, was completed in May 2007 and was recently sold, raising over \$250,000 for the Foundation. Funds raised will go towards a specialised Paediatric Unit at Peel Health Campus to ensure all children will receive excellent treatment in a facility designed specifically for children.



Review of operations



Peel Health Campus Charity Home at Mariners Cove.

- 2007 saw the seventh year of Cedar Woods being involved with the City of Mandurah Crab Fest, as the major sponsor of the Red Hot Strings concert, providing patrons with a new look at classical music. Our association with this fine performing arts centre goes back to its inception as Cedar Woods was a major donor towards the funding of the centre's construction.
- Cedar Woods again sponsored the 2007 MusselFest in support of Tourism Rockingham, which saw an estimated 40,000 people attend over the weekend of 21 and 22 April.
- Cedar Woods was again proud to be a supporter of the Peter Evans Memorial Golf Day to raise money for the Murdoch Community Hospice. A total of \$22,000 was raised to go towards the only stand alone Palliative Care community facility in Western Australia.
- In support of the local Baldivis community, Cedar Woods is proud to sponsor the Baldivis Children's Forest where students of nearby Baldivis Primary School and Tranby College have planted more than 10,000 native trees on the site.
- Within the Wanneroo district, Cedar Woods contributed to many community initiatives including the City Of Wanneroo Golf Day, sponsorship of the On Stage Performing Arts Competition.

Research, development, technology and new innovations

The company considers itself a leader in market research and embracing 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 in environmentally-friendly, energy-efficient, leading edge technology.

Technology in the home

'E-Wire' technology continues to be implemented at Mariners Cove, Port Mandurah and The Kestrels to 'future-proof' these estates. E-Wire is a reticulated underground communications system which provides high speed broadband internet and television services. It also has capacity to provide telephone and video on demand.

Affordable housing

Housing affordability declined to a historical low in Western Australia, a result of three consecutive years of strong property price growth. In response, the company researched a number of small lot housing products which optimise lot size and home cost efficiencies to produce more affordable house and land packages, without diminishing project profitability.

Cedar Woods joined forces with HomeStart to offer the 'Y-Rent' house and land package specifically for first home buyers at The Rivergums in April 2007. The 'Y-Rent' package is comprised of houses of 3 or 4 bedrooms with 2 bathrooms and double lock up garages, floor coverings, window treatments, boundary fencing and front landscaping on 300m² lots at prices around \$300,000. Purchasers had to be eligible for the First Home Owners Grant, meet specified income criteria and had to build an approved home with Homestart. All available house and land packages sold in the first weekend.

Sustainable homes

In response to the growing government push for improved household savings in water and energy consumption, the company has researched latest initiatives in energy efficient lot orientation, housing design, use of energy and water saving devices and appliances and use of government concessions and rebates, to deliver an integrated best practice response. This work adds to our range of tools for creating green buildings and estates.

Impact of government policies

Western Australia

The State Government held a land summit in mid 2006 to respond to the residential land supply crisis which resulted from rapid increases in demand arising from Western Australia's strong economic growth. Outcomes of the summit saw the appointment of a 'Land Release Co-ordinator' to fast-track existing land subdivision proposals and to make recommendations for on-going improvements to the subdivision process and to identify and address other delays in releasing land to the market. The company met with the Land Release Coordinator and identified a number of regulatory issues to be addressed.

The Western Australian Planning Commission prepared a draft policy to regulate the orientation of new residential lots to improve the opportunities for designing passive solar homes. The company is already a strong performer in providing lots with good solar orientation, required under HIA GreenSmart, and participated in various workshops to influence the development of this new policy initiative.

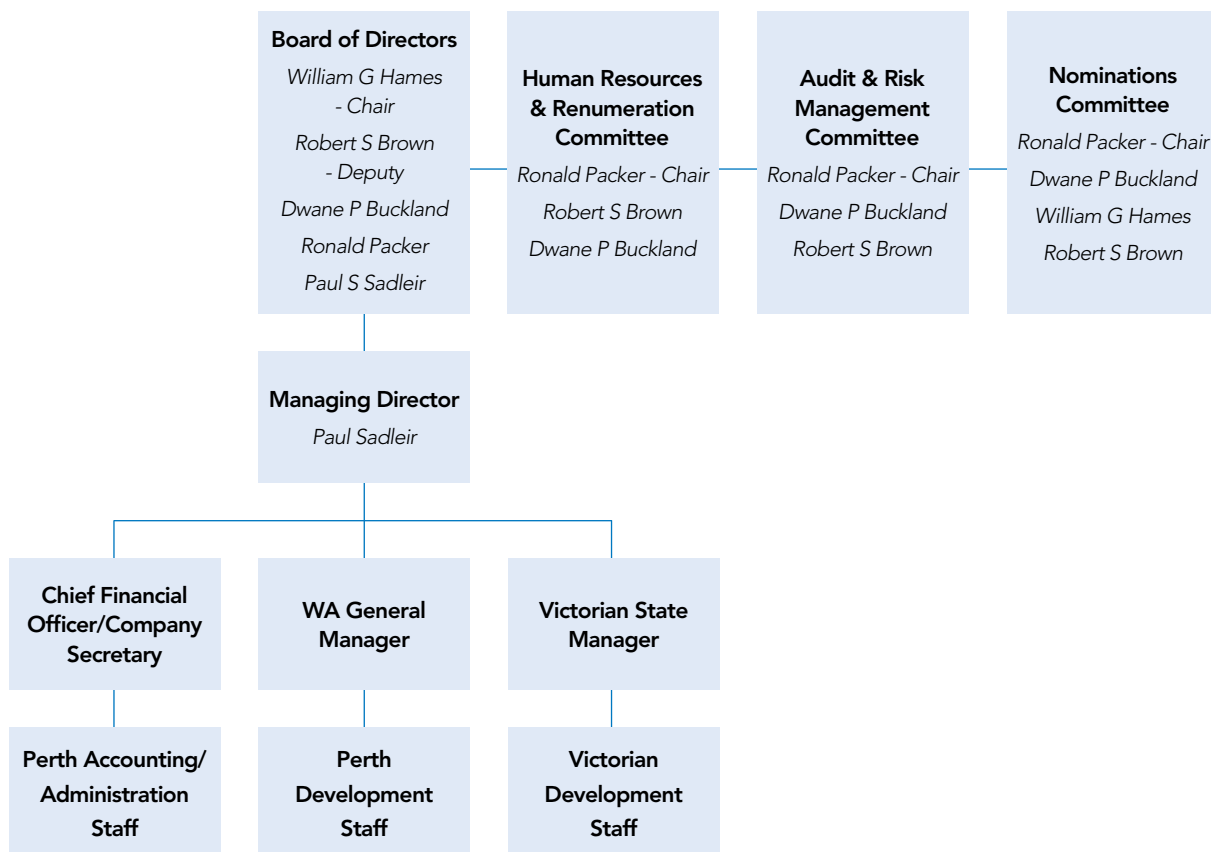
Victoria

The growth of metropolitan Melbourne is guided by 'Melbourne 2030'. The main thrust of the policy is to continue to protect the liveability of the established areas and to increasingly concentrate major new development in strategic development sites, such as in and around activity centres. Key elements of Melbourne 2030 include the establishment of an urban growth boundary, concentrating urban expansion to strategic outer growth areas, promoting consolidation of existing urban areas and facilitating efficient public transport between activity centres to reduce reliance on motor vehicles. Melbourne 2030 actively promotes the development of the company's Williams Landing site in the fulfilment of its objectives.



Review of operations

Organisation structure



Personnel issues

People

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

The company seeks 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 employment activities leading to degree qualifications and is an accredited employer with the Institute of Chartered Accountants in Australia 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. To date 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 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.

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; and
- maintain a safe working environment.

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 held regularly. 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 37 of the financial statements.

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.



Projects

Western Australia – land development

Mariners Cove, Mandurah



Mariners Cove is a unique waterfront development located just minutes from the centre of Mandurah comprising of a mix of superb canal lots with their own water frontage, traditional parkland lots and estuary view lots.

Mariners Cove also boasts a spectacular 230-acre wildlife reserve complete with raised walkways, bird hides as well as interpretive signage to educate the community. This reserve protects the Creery Wetlands, an internationally recognised waterbird habitat that is home to migrating birds from around the world. The company undertook significant revegetation of this area over the past seven years. More information is available at www.creerywetlands.info.

Booming market conditions in the first half of the financial year continued to provide demand for the premium canal lots at Mariners Islands. The third island stage, Stage 5CA, was completed during the year and approximately half of the canal lots in this stage have now been sold.

'The Landings' is Cedar Woods first luxury townhouse development on The Islands with the release of 8 townhouses going to market in May. The Landings will set a new benchmark for waterside living with canal-front views, incorporating style and intelligent design with luxurious interiors, designed by architects Donaldson & Warn.

Construction has now commenced and will take approximately 15 months to complete. Dependent

upon market demand, further stages will commence later in the year with up to 20 townhouses developed for settlement in the 2009 Financial Year. If successful, two further townhouse developments of similar size will be developed in future island stages.

The last parkland stage in Mariners Cove, Stage 10, saw the release of 70 lots in early 2007 and the remainder of these are expected to sell in the 2008 Financial Year. In all, 550 parkland lots will then have been created and sold at Mariners Cove, and a thriving community has now been established.

Sutton Heritage site, Port Mandurah



With integration of the original farm buildings, which have been restored as part of an initiative between Cedar Woods and the Heritage Council, Cedar Woods anticipates the creation of a medium density residential waterfront development on the historic Sutton Heritage site at Port Mandurah. Plans continue to be progressed for this widely anticipated development with marketing of the first units expected in late 2008.

The Rivergums, Baldivis



The Rivergums is located 40 minutes south of Perth CBD and is only ten minutes away from the beaches in Rockingham.

The development is one of the first HIA GreenSmart Accredited estates in Western Australia. The orientation of the lots has been carefully designed to optimize the ease for project homebuilders to design passive solar homes with the minimum of change needed. To date all


lots have been created so that they are either east-west or north-south orientation.

Central to the development of The Rivergums is a network of lakes, wetlands, and beautiful landscaped parks and a harmonious community environment. The company has embarked upon the revegetation of the adjoining Tramway reserve as well as a wetland which were both significantly degraded before the development commenced in 2003. Since then these areas have improved substantially and now provide important habitat for wildlife.

With over 450 lots sold in The Rivergums estate since its launch in 2002, the estate has matured into a thriving residential community. Early in the year the company completed the acquisition of a parcel of land to the south of the estate which will provide a further 125 lots and it is anticipated that this land will soon be under development to provide a further entry point from Baldivis Road and access to additional stages.

Further stages in this estate are likely to include a community shopping village, high density residential development, lake side townhouses and rural lifestyle lots.



The Kestrels, Tapping



This development, another HIA GreenSmart estate, focuses around the existing prominent bird life in the area. Maximizing parkland space and introducing extra trees to assist in fostering an attractive environment for the many bird species, the development recently won the 2006 City of Wanneroo Environmental Excellence Award. The Kestrels estate now contains over 100 homes and during the summer hosted its inaugural residents' event which themed environmental protection and attracted over 150 residents and guests.

Future stages in the estate will be increasingly elevated and provide the potential for views of the Joondalup townsite and Lake Joondalup.



Cambridge Waters, Canning Vale



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 stages of residential lots almost sold out, the company will consider 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.

New projects arriving soon

Helena Valley Private Estate



The long awaited expansion of the highly successful Helena Valley Private Estate is expected to be marketed during the 2008 financial year. With subdivision approvals now in place, this estate is expected to contribute to earnings in FY2009 and beyond.

Projects

Wellard

Cedar Woods Wellard Limited, an investment syndicate managed by Cedar Woods, owns 47 hectares of land in the suburb of Wellard. The land, adjacent to the Kwinana Freeway some 33 kilometres south of Perth, is zoned urban. Subdivision approval for Stage 1 will follow the structure plan process and should be finalized by late 2007. The program is on target for development of the first stage of the project in early 2008.

Forrestdale and Pinjarra

The company's landholdings in Forrestdale and Pinjarra in Perth's south east corridor provide prospects for the medium to longer term. The Forrestdale land lies proximate to land under development by other developers and will soon be ready for development, whereas the Pinjarra land requires considerable planning and rezoning from its current rural status, the reward being a new major project in the longer term.

Western Australia – built form

Nautilus Apartments, Rockingham NAUTILUS APARTMENTS



Nautilus Apartments are positioned just moments from the beach, parks, cafes and restaurants in Rockingham. The 62 apartments in Stage 1 of Nautilus enjoy views across parklands to the beach and Mangles Bay. These apartments are complete and the first residents

moved in to their new homes in December 2006. Each apartment offers residents access to the private pool, a private gym and undercover parking, all within easy access to the beach.

Nautilus 2, comprising a further 24 apartments nestled immediately behind Nautilus Stage 1 is well underway with all apartments sold in this stage. Stage 2 is expected to be completed by the end of 2007, completing this highly successful development. Nautilus has set the benchmark for high-rise property in the Rockingham beachfront locality.

Also included in the project are 4 commercial tenancies on the ground floor. Nautilus Apartments, and the company's predecessor development, Aria Apartments have provided a stimulus for the rejuvenation of the Rockingham beach foreshore and boldly promoted modern apartment living in this beautiful beachside locality.

Waterline Apartments, Halls Head



Cedar Woods has commenced construction of this 4 storey luxury apartment development located directly opposite Doddi's Beach at Halls Head, Mandurah. This beachside development will comprise 15 two and three bedroom apartments and 3 penthouses rivalling any apartment development in WA in terms of quality and exclusivity. The development will also incorporate a boutique café on the ground floor.

The Fairways, Mandurah Country Club



In joint venture with the Mandurah Country Club, the company is developing 25 prestigious townhouses overlooking the eighth green and ninth tee at The Mandurah Country Club golf course in Halls Head. These homes have been architecturally designed to blend in with the surrounding natural environment. Retention of significant trees and vegetation on site as well as views from adjoining properties was of paramount importance with regard to the design. The townhouses have been selling quickly, with more than half sold before construction even begun and only five remaining for sale. Construction is due to be completed in early to mid 2008.

New project arriving soon

The Jetty, Palm Beach



This 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 will commence in 2008.

Victoria – land development

Williams Landing, Laverton



In early 2007 the company announced that it had received approval for redevelopment of the former RAAF Williams Airfield at Laverton in Melbourne, to enable the construction of a major residential and town centre project with an expected end value of \$1 billion. The project will officially be known as Williams Landing, after the name favoured by Cedar Woods received 72 per cent support in a community survey.

Williams Landings will be a 275-hectare development of four neighbourhoods comprising 2000 residential dwellings, retail and commercial space, and 16 hectares of parks and sporting facilities. A rail station announced by the Victorian Government last year will also be built within the project, with each neighbourhood being in walking distance of the town centre and rail station, or have ready access to bus services that will go directly to the town centre and rail station. Construction on the project is expected to begin in early 2008.

The rezoning of the property to a major activity centre was a major milestone for the company with this project expected to provide an earnings stream for 15 years, offering the potential for substantial built form development and leasehold opportunities.

Projects

Banbury Village, Footscray



The Banbury Village site, acquired during 2006, is located in Footscray some 6 kilometres from the Melbourne CBD. The property received rezoning approval from the city of Maribyrnong in May 2007 for a 250 dwelling development expected to include a range of townhouses, apartments and single lots. The 9 hectare parcel of land, the former site of South Pacific Tyres' factory, has already been substantially remediated and the company expects to commence subdivision of the development in 2008. The development will be undertaken in several stages over a 4 year period.

Banbury Village will not only look to the future for energy efficiency and sustainability but also embrace the past by retaining and converting current art deco buildings on the property. By ensuring the future of the historic buildings, the proposal meets the principles of the Maribyrnong Council's 2006-2010 Plan for urban renewal and the reuse of industrial land to support population growth while protecting existing heritage in the Footscray area.

Carlingford, Lalor



Carlingford



Cedar Woods new project in the northern suburbs of Melbourne, named Carlingford, will comprise 600 housing lots, and will be the first land released for development in the Lalor area in over a decade. It will boast excellent transport links to Melbourne CBD and is within easy reach of popular shopping precincts, the Hume Highway and Western Ring Road. Design work is underway and project commencement is scheduled for 2008. The 55 hectare project is expected to be developed over a 6 year timeframe.

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Enquiries regarding the availability of lots or units in the company's developments may be directed to the company using the contact methods shown at the rear of the annual report. Shareholders may also make use of the shareholder discount scheme, details of which are on the company website, with brief a summary on page 38 of the annual report.



Corporate governance statement

The Board of Cedar Woods Properties Limited is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

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.

Listed entities are required to disclose the extent to which they have followed the Best Practice Recommendations set by the Australian Stock Exchange Corporate Governance Council during the reporting period. Where the company's procedures are not in compliance with the Best Practice Recommendations for part or all of the year, 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 and 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; and
- 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, including



Front Row (left to right): Robert Brown (Deputy Chairman) William Hames (Chairman) Ronald Packer
Back Row (left to right): Dwane Buckland Paul Sadleir (Managing Director) Paul Freedman (Company Secretary)

Corporate governance statement

the Chairman, to be independent, as required by Best Practice Recommendations 2.1 and 2.2. However, future appointments to the Board and to the position of Chairman will be made having regard to these recommendations.

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; and
- 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 starting on page 3 of the financial statements. There are 4 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

The Board has 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; and

- 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 the purposes of contracts or commercial transactions listed above. 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.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a director will not be considered independent if he or she has served on the Board for a period exceeding 12 years. For this reason, Mr Buckland, although meeting other criteria and bringing independent judgement to bear in his role, is no longer defined as an independent director.

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.

Prior to appointment, non-executive directors are required to acknowledge that they will have 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 37 of 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 ; and
- Audit & Risk Management Committee.

Corporate governance statement

Nomination Committee

The Nomination Committee consists of the following non-executive directors:

R Packer (Chairman from 1 January 2007)

DP Buckland (Chairman until 31 December 2006)

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.

Mr Dwane Buckland, who was the Chairman of this committee until 31 December 2006, is not regarded as independent in order to satisfy Best Practice Recommendation 2.4. However, Mr Ronald Packer, an independent director, assumed the role of Chairman of this committee on 1 January 2007, satisfying the requirement for an independent director to chair the committee from that date.

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; and
- 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 meetings 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:

R Packer (Chairman from 1 January 2007)

DP Buckland (Chairman until 31 December 2006)

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 always be at least 3 members of this committee, with a majority of the directors independent, as required by Best Practice Recommendation 9.2.

Mr Dwane Buckland, who was the Chairman of this committee until 31 December 2006, is not regarded as independent in order to satisfy Best Practice Recommendation 9.2. However, Mr Ronald Packer, an independent director, assumed the role of Chairman of this committee on 1 January 2007, satisfying the requirement for

an independent director to chair the committee from that date.

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 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 section 16 of the directors' report.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non-executive directors:

R Packer (Chairman from 1 January 2007)

DP Buckland (Chairman until 31 December 2006)

RS Brown

Under Australian Stock Exchange listing rule 12.7 the company is not required to comply with the structure requirements of Audit Committees as it is not included in the S&P ASX 300. 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.

Mr Dwane Buckland, who was the Chairman of this committee until 31 December 2006, is not regarded as independent in order to satisfy Best Practice Recommendation 4.3. However, Mr Ronald Packer, an independent director, assumed the role of Chairman of this committee on 1 January 2007, satisfying the requirement for an independent director to chair the committee from that date.

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

The Audit and Risk Management 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;

Corporate governance statement

- 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; and
- 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 also 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; and
- 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 is 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 5 years. A new engagement partner was introduced for the year ended 30 June 2003, and his tenure will conclude at the 2007 annual general meeting.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in note 39 in the financial statements. It is a legal requirement that the external auditors provide an annual declaration of their independence to the Board.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

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.

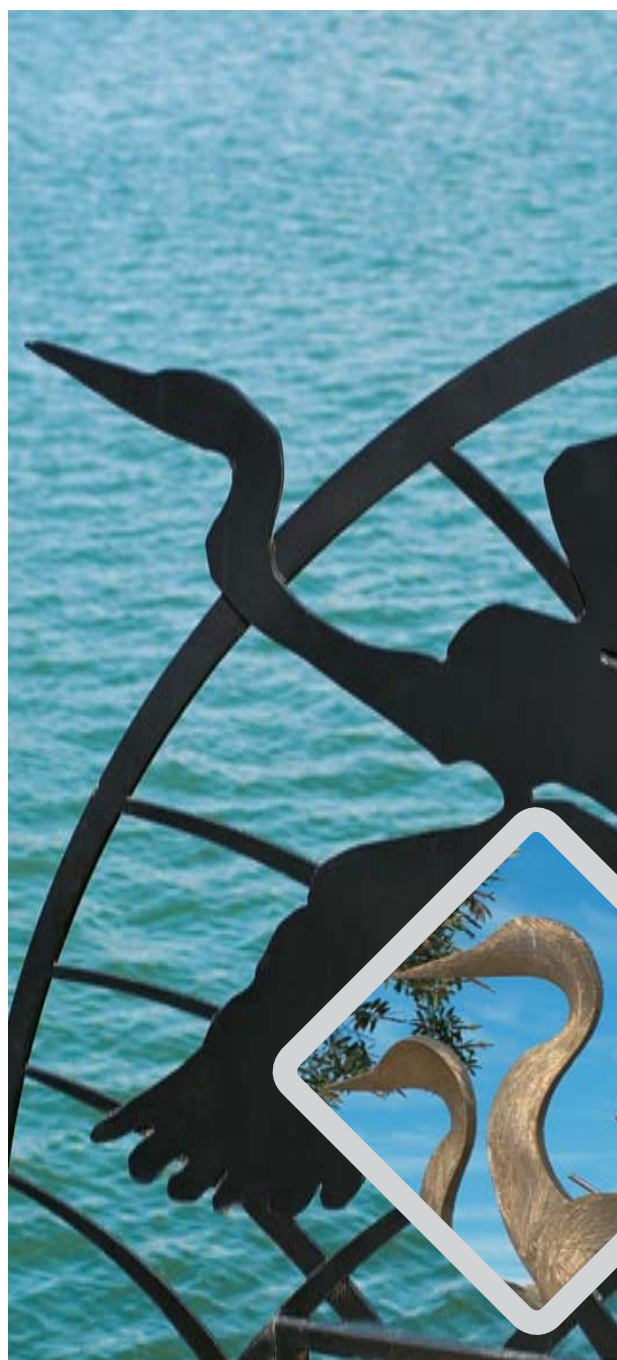
The company secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure 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 presentations 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 Investors' summary on page 38.



Investors' summary

Shareholder value

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

The table on page 44 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.

	1YR	3YR	5YR
Earnings growth %	12	19	37
Share price growth %	16	45	59
Dividend growth %	13	19	28
Total shareholder return %	20	52	67

Share liquidity

During the 2007 financial year 5.26m (2006 – 3.93m) shares were traded on the Australian Stock Exchange representing approximately 10% (2006 – 7%) 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. Having paid an interim dividend of 7 cents per share in April 2007, the final dividend for the 2007 financial year is 10 cents per share, fully franked. The dividend will be paid on 19 October 2007.

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; and

- 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.
- by contact with the company.
Shareholders are welcome to contact the company at any time and speak to the Managing Director, Paul Sadleir or the Company Secretary, Paul Freedman.
Telephone: (08) 9480 1500
Facsimile: (08) 9480 1599
- shareholders are welcome to contact the company by email on email@cedarwoods.com.au

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 continues in operation as part of measures to manage the company's capital. Shareholders wishing to change their participation status must complete an election form in accordance with the plan rules.

Company web site 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; and
- feedback service to enhance communication between the company and its shareholders.

Shareholders' timetable

Share register closes for dividend

Record date	:	5 October 2007
Dividend payment date	:	19 October 2007
First quarter update	:	October 2007
Annual General Meeting	:	26 October 2007
Location: University Club of WA,		- 10.00 am
entrance 1, off Hackett Drive, Crawley.		

Half-year result announcement	:	February 2008
Third Quarter update	:	April 2008
Full year result and dividend announcement	:	August 2008

*Based on the register closing date, it is anticipated that shares will trade ex-dividend on 28 September 2007. Shareholders should check with their broker prior to trading.



Investors' summary

Shareholder information

The shareholder information set out was applicable at 31 August 2007.

DISTRIBUTION OF ORDINARY SHARES

	Number of holders	Number of shares
1 - 1,000	132	74,599
1,001 – 5,000	468	1,395,256
5,001 – 10,000	260	2,048,043
10,001 – 100,000	331	8,549,062
100,001 and over	39	42,757,172
	1,230	54,824,132

There were 15 holders of less than a marketable parcel of shares.

TWENTY LARGEST SHAREHOLDERS OF ORDINARY SHARES

Name	Number of shares	Percentage of shares
National Nominees Limited	6,120,579	11.16%
Australian Executor Trustees Limited	5,972,164	10.89%
Beach Corporation Pty Ltd	5,120,433	9.34%
Westland Group Holdings Pty Ltd	4,755,776	8.67%
Hamsha Nominees Pty Ltd	4,497,864	8.20%
Australian Foundation Investments Company Limited	2,569,449	4.69%
Helen Kaye Hames	2,379,055	4.34%
Ventrade (Asia) Pte Ltd	2,233,378	4.07%
JP Morgan Nominees Australia Limited	1,397,598	2.55%
Citicorp Nominees Pty Ltd Cwlth Bank Off Super A/C	835,603	1.52%
Paul Sadleir	755,459	1.38%
Golden Years Holdings Pty Ltd (AW Lennon A/C)	731,575	1.33%
Colbern Fiduciary Nominees Pty Ltd	534,106	0.97%
Golden Years Holdings Pty Ltd (GE Lennon A/C)	497,484	0.88%
Joia Holdings Pty Ltd	481,506	0.88%
Dane Nigel Gorn & Maureen Theresa Gorn	407,739	0.74%
JDV Limited Ent investment fund	395,572	0.72%
Croftwell Pty Limited	378,529	0.69%
Ramneg Pty Ltd	325,281	0.59%
William George Hames	258,758	0.47%
	40,647,908	74.11%

SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

Name	Number of shares	Percentage of shares
Entities related to RS, SJ & TR Brown -		
- Beach Corporation Pty Ltd	5,120,433	
- Westland Group Holdings Pty Ltd	4,755,776	
- RS & JP Brown Superfund A/C	250,000	
- Stanley James Brown	50,000	
- Robert Brown	3,000	
- Joan Brown	3,000	
- Dorothy Margaret Brown	3,000	
	10,185,209	18.58%
Entities related to WG Hames -		
- Hamsha Nominees Pty Ltd	4,497,864	
- Helen Kaye Hames	2,374,055	
- Helen Kaye Hames Superfund	40,384	
- Joia Holdings Pty Ltd	481,506	
- William George Hames	258,758	
	7,652,567	13.96%
Acorn Capital Limited	6,107,750	11.14%
Australian Executor Trustees Limited	5,923,493	10.80%



Investors' summary

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 2007	Results Presentation
21 August 2007	Preliminary Final Report
2 July 2007	Change of Alternate Director
24 May 2007	Third Quarter Update
30 April 2007	Change of Directors' Interest Notice x 3
20 April 2007	Appendix 3B for Dividend Reinvestment Plan
28 February 2007	Receives approval for new town at Laverton
19 February 2007	Half Year Results Presentation
19 February 2007	Half Yearly Report & Half Year Accounts
27 October 2006	Results of AGM
27 October 2006	Change of Directors' Interest Notice
27 October 2006	AGM Presentation
27 October 2006	Change of Directors' Interest Notice
27 October 2006	First Quarter Activities Report
25 October 2006	Director Retirement & Appendix 3Z
20 October 2006	Appendix 3B for Dividend Reinvestment Plan
19 October 2006	Change in substantial holding
18 October 2006	Ceasing to be a substantial holder
4 October 2006	Appendix 3B for Dividend Reinvestment Plan
20 September 2006	Annual Report
20 September 2006	Notice of Annual General Meeting
12 September 2006	Change of Directors' Interest Notice



Investors' summary

5 year financial performance summary – as reported.

All figures in \$'000 unless shown otherwise

FINANCIAL YEAR	2007	2006	2005	2004	2003
	AIFRS	AIFRS	AGAAP	AGAAP	AGAAP
Financial performance					
Revenue	90,008	80,520	75,130	57,189	36,412
Earnings before interest and tax	31,304	25,864	19,191	15,988	11,080
Finance costs	4,515	2,750	1,549	1,314	188
Operating profit before tax	26,789	23,114	17,642	14,674	10,892
Income tax expense	8,236	6,906	5,242	4,421	3,757
Net profit after tax	18,553	16,208	12,400	10,253	7,135
Realised reserve	271	404	447	646	1,435
Net Profit after tax plus realised reserve	18,824	16,612	12,847	10,899	8,570
Financial position					
Total assets*	155,561	196,365	130,470	94,717	66,818
Total liabilities*	83,918	127,917	75,513	46,885	29,992
Shareholders' equity	71,643	68,448	54,957	47,832	36,826
Number of shares on issue - end of year ('000)	54,824	54,536	53,253	53,228	49,420
Key performance measures					
Earnings per share (cents)	33.9	30.3	23.3	20.2	14.5
Dividend per share-fully franked (cents)	17.0	15.0	12.0	10.0	7.0
EBIT Margin	34.8%	32.1%	25.5%	28.0%	30.4%
Interest cover (times)	7	9	12	12	43
Return on Equity	25.9%	23.7%	22.6%	21.4%	19.4%
Investment in inventory during year	73,799	52,952	48,866	56,026	25,278
Net tangible assets backing per share (\$)	1.31	1.11	1.03	0.90	0.75
Net bank debt	63,735	28,974	37,463	23,157	5,818
Net bank debt to equity*	89.0%	42.3%	68.2%	48.4%	15.8%
Share price - end of year (\$)	5.22	4.48	2.31	1.70	0.97
Stock Market capitalisation at 30 June	286,181	244,321	123,014	90,488	47,937
Number of employees at 30 June	26	27	25	20	18

Financial performance, financial position and all key performance measures shown in the above table up to the year ended 30 June 2005 are shown as previously reported, based on financial accounting under Australian Generally Accepted Accounting Practice (AGAAP). Data for the years ended 30 June 2007 and 2006 is based on Australian equivalents to International Financial Reporting Standards (AIFRS).

*Total assets at 30 June 2006 included \$48m in assets owned by Cedar Woods Wellard Limited (CWWL) which

was consolidated at that date. The company sold down its interest in CWWL to 25% during the year and it is no longer consolidated. Ignoring CWWL, total assets have increased by 2.5%.

Similarly, total liabilities included \$32m in respect of Cedar Woods Wellard Limited. Ignoring CWWL, total liabilities have reduced by 11.7%. Net bank debt /equity excluding CWWL was 72% in 2006.

Certain changes have been made to comparative amounts to reflect changes in classifications in the current year.

Corporate directory

A.B.N. 47 009 259 081

Directors

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

Robert Stanley Brown, MAICD, AIFS – Deputy Chairman

Dwane Patrick Buckland, BA (Econ), FAICD

Ronald Packer, BCom (UWA), AAPI, FAICD, Solicitor Supreme Court of England & Wales

Paul Stephen Sadleir, BE, MBA, AAPI, FAICD, MIE Aust – Managing Director

Timothy Robert Brown, BA, LLB, M.Fin (Alternate for RS Brown)

Company Secretary

Paul Samuel Freedman, BSc, CA, GAICD

Registered office and principal place of business

Level 4, 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

Email: 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

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, entrance 1, off Hackett Drive, Crawley.

Time: 10.00am

Date: 26 October 2007

Cedar Woods Properties Limited

Level 4, 66 Kings Park Road West Perth WA 6005 P.O. Box 788 West Perth WA 6872

P (08) 9480 1500 **F** (08) 9480 1599 **E** email@cedarwoods.com.au **W** www.cedarwoods.com.au