

AVJennings®



31 December 2008 - Half Year Results

Half Year Results to 31 December 2008 – Profit & Loss

	6 Months to 31 December 2008	6 Months to 31 December 2007
Contracts Signed	\$183.7m	\$313.8m
Number	889	1,622
Revenue Recognised	\$242.0m	\$265.4m
Gross Margins	15.3%	19.7%
Profit / (Loss) Before Tax	\$(13.8)m *	\$8.8m
Profit / (Loss) After Tax	\$(9.7)m *	\$6.1m

* Includes \$5.1m (before tax) and \$3.6m (after tax) unrealised loss on hedging contracts

Half Year Results to 31 December 2008 – Profit & Loss

Contracts Signed	<u>Developments</u>			Contract Building \$'m	Total \$'m
	Land \$'m	Integrated/ Apartments \$'m	Total \$'m		
First Half 2009 - 6 months to 31/12/08	53.4	62.6	116.0	67.7	183.7
First Half 2008 - 6 months to 31/12/07	145.7	62.3	208.0	105.8	313.8
Percentage Movement	(63.3)%	0.5%	(44.2)%	(36.0)%	(41.5)%

Half Year Results to 31 December 2008 – Profit & Loss

Revenue Recognised	<u>Developments</u>			Contract Building \$'m	Other \$'m	Total \$'m
	Land \$'m	Integrated/ Apartments \$'m	Total \$'m			
First Half 2009 - 6 mths to 31/12/08	79.0	74.0	153.0	86.8	2.2	242.0
First Half 2008 - 6 mths to 31/12/07	101.0	76.7	177.7	85.4	2.3	265.4
Percentage movement	(21.8)%	(3.5)%	(13.9)%	1.6%	(4.3)%	(8.8)%

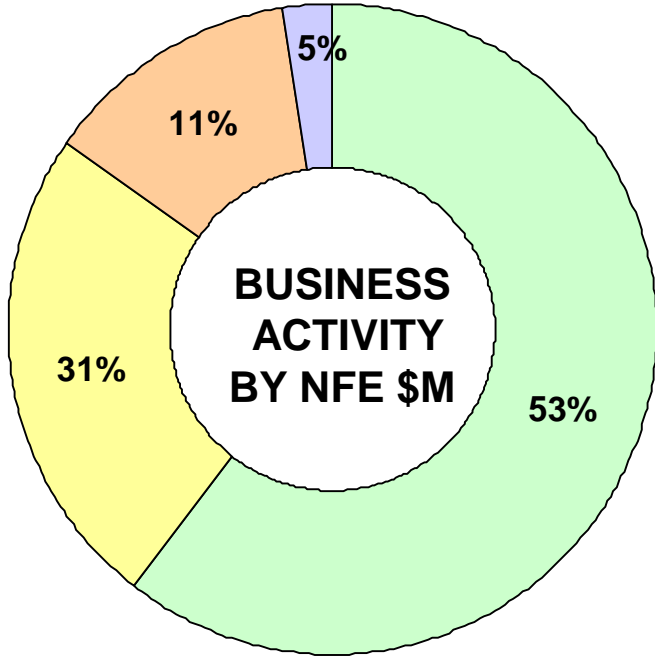
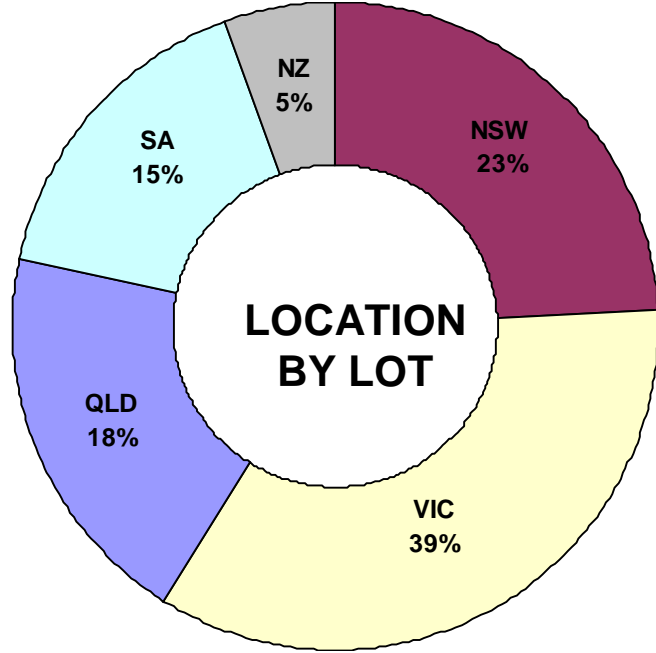
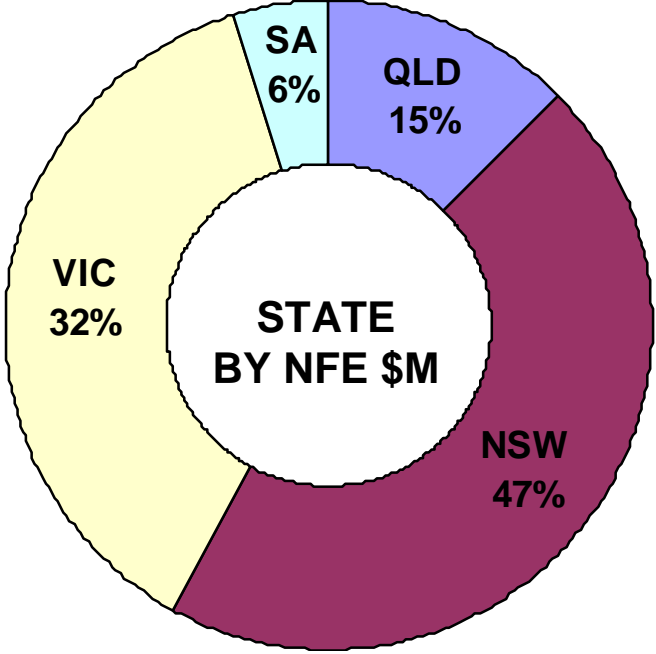
Half Year Results to 31 December 2008 – Balance Sheet

31 December 2008 31 December 2007

Total assets ³	\$547.3m ¹	\$602.2m
Net debt	\$171.1m ²	\$218.7m
- debt/equity	58.4%	79.5%
- debt/total assets ³	31.3%	36.3%

1. Excludes \$47.6m of Company's proportionate share of assets from equity accounted joint ventures
2. Excludes \$29.1m of Company's proportionate share of debt from equity accounted joint ventures
3. Based on inventories being recorded at historical cost

Results to 31 December 2008 Development Pipeline Analysis



- Land
- Development Housing
- Apartments
- Contract Building

Overview

- Continuing market challenges
 - Ø Consequence of economic climate and financial market turmoil
 - Ø Lack of affordability for first home buyers during first half
 - Ø Low levels of consumer confidence
- No impairment of assets
 - Ø Due to conservative approach to acquisitions in prior years
- Operational review
 - Ø Recent initiatives include improvements to operations and reductions to cost structure
 - Ø Strengthening of operational management team

Overview cont..

- Changes to senior management
 - Ø Appointment of Peter Summers as Managing Director and Chief Executive Officer
 - Ø Appointment of Mark Henesey-Smith as Chief Operating Officer, Developments
 - Ø Adds to recent senior appointments of
 - à Alan Soutar – Executive General Manager, Contract Building
 - à Carl Thompson – Company Secretary / General Counsel

Segment Results

- Land
 - ∅ Decreased margins reflect combination of:
 - à price discounting
 - à increased holding costs
 - à mix of projects
 - ∅ Anticipated that sales are weighted towards second half
 - à due to status of projects
- Development Housing
 - ∅ Traditionally, first segment to recover in slow market
 - ∅ Leverages off building capability to deliver affordable housing options
 - ∅ Customers appear to be entering the market again
 - à affordable housing options
 - à First Home Owners Grant
 - à interest rate reductions

Segment Results

- Apartments
 - Ø Significant cost reductions
 - Ø Only 1 of 2 projects at revenue recognition stage
 - Ø Verve at Erskineville (NSW) not yet at revenue recognition stage
 - à encouraging level of pre-sales
 - à represents excellent affordable housing option in good location
- Contract Building
 - Ø Full review of segment being undertaken
 - Ø Short term focus to reduce costs and improve performance
 - Ø Product review & opening of new displays at advanced stage

Funding

- Main funding lines are under multi-option banking facilities maturing on 30 September 2009
 - Ø \$215m comprising bank overdraft, bank loans, standby facility
 - Ø Utilised at 31/12/08 \$130m with balance \$85m unutilised
- Classified in Balance sheet as current liability
- Negotiations regarding extension of facilities at advanced stage
 - Ø Satisfactory outcome anticipated
- New structures and initiatives in addition to existing debt structures being investigated
- Increased number of acquisitions been made under joint venture or development agreement arrangements

Residential Property Fund

- Launch of targeted \$150m - \$200m AVJ Residential Property Fund
- The Hon. Craig Knowles to Chair
- Unlisted with target closed-end life of 10 years
- Fund will deliver to AVJ
 - Ø Capacity to acquire projects on behalf of the Fund
 - Ø Ability to take advantage of current market conditions including reduced interest rates and infrastructure levies, increased First Home Owners Grant and reduced competition for assets
 - Ø Income from project development, sales and provision of management skills
- AVJ to own 15% cornerstone investment in the Fund
- Participation will be offered to large wholesale funds

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