



AVJennings Limited
ABN: 44 004 327 771

30 June 2011 Preliminary Final Report
Appendix 4E

This Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by AVJennings Limited during the year ended 30 June 2011 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.



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AVJennings®

Results for Announcement to the Market

Appendix 4E for the year ended 30 June 2011

	2011 \$'000	2010 \$'000	Increase/(Decrease)	
			\$'000	%
Continuing operations				
Revenues	210,246	267,639	(57,393)	(21.4)%
Profit after tax from continuing operations	14,600	14,245	355	2.5%
Discontinued operations				
Loss after tax from discontinued operations	(1,707)	(4,629)	2,922	63.1%
Net profit attributable to members	12,893	9,616	3,277	34.1%
Dividends				
	Cents per security		Franked amount per security at 30% tax	
<u>Current period</u>				
Interim dividend	1.0		1.0	
Final dividend	1.5		1.5	
Total dividend	2.5		2.5	
<u>Previous corresponding period</u>				
Interim dividend	NIL		NIL	
Final dividend	1.5		1.5	
Total dividend	1.5		1.5	
Record date for determining entitlements to dividend:	5 October 2011			
Payment date:	19 October 2011			
The Company's Dividend Re-Investment Plan has been suspended.				
Explanation of results				
Please refer to the Review of Operations in the attached Directors' Report for an explanation of the results.				

Directors' Report

For the year ended 30 June 2011

Your Directors present their Report on the Company and its controlled entities for the year ended 30 June 2011.

DIRECTORS

The names of the Company's Directors in office during the year and until the date of this Report are as below. Directors were in office for the entire period unless otherwise stated.

Mr Simon Cheong (Chairman)
Mr Jerome Rowley (Deputy Chairman)
Mr Peter K Summers
Mrs Elizabeth Sam
Mr Herman R Hochstadt
Mr Bobby Chin
Mr Bruce G Hayman

REVIEW OF OPERATIONS

Financial Results

The Company increased its Net Profit after Tax by 34.1% to \$12.9m for the full year to 30 June 2011. Profit from Continuing Operations was \$19.9m before tax, an increase of 5.9%, and \$14.6m after tax. Discontinued Operations, Contract Building, lost \$1.7m after tax from 1 July to 31 July 2010, being the date of its sale.

Revenue, at \$225.8m, was down from \$471.2m due primarily to the inclusion of only one months revenue of \$15.5m from Contract Building prior to its sale. Revenue from continuing operations was also lower, however increased margins resulted in an overall improved result.

The Company has produced a solid result in what were generally difficult trading conditions. Weather remained one of the biggest hurdles to the Company reaching its internal revenue targets. The result was also affected by continuing poor market conditions in Queensland and while New South Wales has shown some improvement, it still is a market operating at levels which are very low historically.

Business Overview

Overall, the year has seen an increased profit achieved in difficult market conditions, an increase in the Company's inventory levels that support a more sustainable business, continued low debt levels and a 2 year extension of the Company's main banking facilities, and the completion of the sale of its former Contract Building division.

During the financial year, the Company acquired one or more projects in each of the Australian States in which it operates. At 30 June 2011, the total number of lots under control or management was approximately 11,300 compared to some 9,500 at the start of the year. The increased inventory levels provide a more solid and longer term basis for the Company's operations. The projects acquired in South Australia and New South Wales, in particular, will underpin operations in those States for a significant period.

Directors' Report

For the year ended 30 June 2011

REVIEW OF OPERATIONS (continued)

Business Overview (continued)

While market conditions remain difficult in many regions, the market for acquiring land is very healthy. The Company still believes medium to long term fundamentals are solid and is therefore still actively pursuing acquisitions.

The Company has continued to strengthen its balance sheet maintaining the emphasis of the past three years on capital management. The Company is therefore well placed to grow appropriately the number of projects under control or management.

As at 30 June 2011, Net Debt, including a proportionate share of joint venture debt, was \$82.3m, almost on par with the previous year, and a 57.6% reduction from 2008 when Net Debt was \$194.3m.

Since year end, the Company has also renewed its main banking facilities. The facilities, which were due to expire in September 2011, have been renewed for a further 2 years on generally more favourable terms.

The sale of the loss-making Contract Building operations has enabled the Company to focus more strongly on its core strengths of land development, integrated housing and low-rise apartment construction. However, the process also required considerable time and effort in restructuring, particularly in areas such as administration. This has all been completed during the year and the Company starts the new financial year better placed in this regard.

Accordingly, the Board and Management were pleased with the progress made for the year, in that the Company as a whole managed well those issues that were within its control.

Outlook

As the Company enters the new financial year, there are certainly challenges ahead with a softening of market conditions in most States in which the Company operates. Consumer confidence remains low and the continued focus on global economic concerns is reinforcing this.

However, there have been some signs in recent months in relation to factors that may lead to some improvement in the new residential housing sector. The significant upward pressure on interest rates that existed for much of the first 6 months of the 2011 calendar year has moderated to some extent. Furthermore, the forecast uplift in immigration levels from the previous year is expected to assist demand for housing. There have also been some more positive signs emerging in New South Wales following the recent election and change in government although any improvements are coming off a very low base.

The introduction of the carbon tax, whilst increasing the cost of housing post introduction of the tax, will provide an incentive for purchasers in the short term. The Company is well placed to capitalize on any such activity.

The recently announced \$10,000 grant for new residential housing in Queensland, which commenced on 1 August 2011, will hopefully also improve activity. The Queensland market has suffered from a number of setbacks in recent times. However, it remains a traditionally strong market and is expected to return to more normal levels at some point.

Affordability remains a factor in potential purchasers' ability to transact, despite the chronic shortage of housing in many areas. AVJennings has been a market leader in meeting the challenges of delivering high quality, affordable land and housing and will continue to focus on this area.

Directors' Report

For the year ended 30 June 2011

DIVIDENDS

The Board has declared a fully franked final dividend of 1.5 cent per share (2010 corresponding period: 1.5 cents). The Dividend Reinvestment Plan remains suspended.

COMPARATIVE FIGURES

To enable meaningful comparison, some comparatives have been reclassified to conform with the current year's presentation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity's main banking facilities mature on 30 September 2011. As a result, the borrowings under these facilities are shown as a current liability on the *Consolidated Statement of Financial Position* at 30 June 2011.

As mentioned in the Review of Operations, subsequent to the end of the financial year, the Company has received approval from its bankers to renew its main banking facilities.

EVENTS AFTER BALANCE SHEET DATE

Other than matters relating to the extension of the main banking facilities, no matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- a) the Consolidated Entity's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the Consolidated Entity's state of affairs in future financial years.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998. Accordingly, amounts in the *Directors' Report*, the Financial Statements and the Notes thereto have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Report is made in accordance with a resolution of the Directors.

Peter Summers
Director
3 August 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Continuing operations			
Revenues	3	210,246	267,639
Share of profits of associates and joint ventures accounted for using the equity method	11	1,779	2,124
Change in inventories, finished goods and work-in-progress		(153,986)	(219,083)
Other operational expenses		(5,375)	(4,030)
Advertising expenses		(3,437)	(3,389)
Display costs		(1,088)	(1,096)
Employee expenses		(21,535)	(21,869)
Depreciation and amortisation expense		(485)	(1,639)
Finance costs	3	(914)	(641)
Fair value gain on interest rate derivatives		441	2,855
Other expenses		(5,703)	(2,042)
Profit from continuing operations before income tax		19,943	18,829
Income tax expense	4	(5,343)	(4,584)
Profit from continuing operations after income tax		14,600	14,245
Discontinued operations			
Loss from discontinued operations after income tax	6	(1,707)	(4,629)
Net profit for the year		12,893	9,616
Other comprehensive income			
Foreign currency translation		(427)	(1)
Other comprehensive loss for the year net of tax		(427)	(1)
Total comprehensive income for the year		12,466	9,615

	Cents	Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent:		
Basic earnings per share	5.32	5.19
Diluted earnings per share	5.32	5.19
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	4.70	3.50
Diluted earnings per share	4.70	3.50

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents	8	12,260	24,110
Trade and other receivables		17,159	15,409
Inventories		131,231	100,571
Other current assets		1,300	1,712
Assets of disposal group classified as held for sale		-	43,228
Total current assets		161,950	185,030
NON-CURRENT ASSETS			
Inventories		285,630	241,591
Investments accounted for using the equity method		41,131	41,268
Property, plant and equipment		1,087	1,866
Intangible asset		2,816	2,816
Total non-current assets		330,664	287,541
Total assets		492,614	472,571
CURRENT LIABILITIES			
Trade and other payables		48,485	34,288
Derivative financial instruments		68	509
Interest-bearing loans and borrowings		62,529	67,212
Tax payable		3,540	905
Provisions		3,235	3,565
Liabilities directly associated with the assets classified as held for sale		-	21,966
Total current liabilities		117,857	128,445
NON-CURRENT LIABILITIES			
Trade and other payables		43,400	11,650
Interest-bearing loans and borrowings		6,619	15,014
Deferred tax liabilities		19,516	17,398
Provisions		694	646
Total non-current liabilities		70,229	44,708
Total liabilities		188,086	173,153
Net assets		304,528	299,418
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	7	121,835	122,578
Reserves		(94)	81
Retained earnings		182,787	176,759
Total equity		304,528	299,418

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Attributable to equity holders of the parent			Total equity
		Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	\$'000
At 1 July 2009		122,578	22	167,143	289,743
Profit for the year		-	-	9,616	9,616
Other comprehensive income for the year		-	(1)	-	(1)
Total comprehensive loss for the year		-	(1)	9,616	9,615
Transactions with owners in their capacity as owners					
- Share-based payment reserve			60	-	60
		-	59	9,616	9,675
At 30 June 2010		122,578	81	176,759	299,418
At 1 July 2010		122,578	81	176,759	299,418
Profit for the year		-	-	12,893	12,893
Other comprehensive loss for the year		-	(427)	-	(427)
Total comprehensive income for the year		-	(427)	12,893	12,466
Transactions with owners in their capacity as owners					
- Treasury shares acquired	7(b)	(743)	-	-	(743)
- Foreign currency translation reserve		-	10	-	10
- Share-based payment reserve		-	242	-	242
- Dividends	5	-	-	(6,865)	(6,865)
		(743)	(175)	6,028	5,110
At 30 June 2011		121,835	(94)	182,787	304,528

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		248,672	491,400
Payments to suppliers, land vendors and employees		(254,094)	(432,079)
Interest paid		(10,863)	(13,751)
Income taxes paid		(1,157)	-
Net cash (used in) /from operating activities		(17,442)	45,570
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		819	629
Purchase of property, plant and equipment		(657)	(756)
Proceeds from sale of discontinued operations		21,304	-
Interest received		907	567
Distribution received		4,510	1,120
Dividend received		1,000	-
Investments in associates and joint venture entities		(3,594)	(2,367)
Net cash from /(used in) investing activities		24,289	(807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		126,238	136,098
Repayment of borrowings		(137,120)	(162,549)
Payment of finance lease liability		(207)	(677)
Payment for treasury shares	7(b)	(743)	-
Equity dividends paid		(6,865)	-
Net cash used in financing activities		(18,697)	(27,128)
NET INCREASE/(DECREASE) IN CASH HELD		(11,850)	17,635
Cash and cash equivalents at beginning of year		24,110	6,475
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	12,260	24,110

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

1. CORPORATE INFORMATION

The Financial Statements of AVJennings Limited and its subsidiary companies ('the Consolidated Entity') for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 3 August 2011. The Company is incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange and the Singapore Exchange through the Central Limited Order Book (CLOB).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed Financial Report for the year ended 30 June 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Statements have been prepared on a historical basis except for derivative financial instruments which have been measured at fair value.

The condensed Financial Report does not include all notes of the type normally included within the annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It is recommended that this Financial Report be read in conjunction with the Annual Report for the year ended 30 June 2010 and considered together with any public announcements made by AVJennings Limited during the year-ended 30 June 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

This Financial Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following new Standards and amendments to Standards are mandatory for the first time for the financial year beginning 1 July 2010. The adoption of these Standards did not have any impact on the current period or any prior period and is not likely to affect future periods:

- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]* effective 1 January 2010
- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* effective 1 January 2010
- *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2010

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2011. The Directors believe that these new or amended Standards and Interpretations do not have any material effect on the financial statements presented.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

3. REVENUES AND EXPENSES

Profit from ordinary activities before income tax includes the following revenues and expenses:

	2011	2010
	\$'000	\$'000
<i>Revenues from continuing operations</i>		
Developments	194,995	256,854
Home Improvements	7,993	6,380
Interest revenue	958	685
Management fees	3,579	3,012
Rental revenue	47	67
Royalty revenue	1,655	-
Sundry revenue	1,019	641
Total revenues	210,246	267,639
<i>Finance costs</i>		
Bank loans and overdrafts	10,844	13,676
Finance charges payable under finance leases	19	75
Total finance costs	10,863	13,751
Less: Amount capitalised to inventories	(9,949)	(13,110)
Total finance costs expensed	914	641

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

4. INCOME TAX

	2011	2010
	\$'000	\$'000
<i>Income tax expense</i>		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	3,522	771
Adjustment for prior periods	117	20
Deferred income tax		
Current year temporary differences	2,000	1,766
Adjustment for prior periods	(9)	43
Income tax expense reported in the		
<i>Consolidated Statement of Comprehensive Income</i>	5,630	2,600

Numerical reconciliation between aggregate tax expense recognised in the Consolidated Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate:

Accounting profit before income tax from continuing operations	19,943	18,829
Loss before income tax from discontinued operations	(1,420)	(6,613)
Total accounting profit before income tax	18,523	12,216
Tax at Australian income tax rate of 30% (2010 - 30%)	5,557	3,665
Adjustment for prior periods	108	(559)
Equity accounted share of Joint Venture profits	(520)	(544)
Other non-deductible items and variations	485	38
Aggregate income tax expense	5,630	2,600

Aggregate income tax expense is attributable to:

Continuing operations	5,343	4,584
Discontinued operations	287	(1,984)
	5,630	2,600

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

5. DIVIDENDS PAID AND PROPOSED

	2011 \$'000	2010 \$'000
<i>Dividends paid on ordinary shares during the year</i>		
2010 final dividend of 1.5 cents per fully paid share, paid 30 September 2010. Fully franked @ 30% tax	4,119	-
2011 interim dividend of 1.0 cents per fully paid share, paid 18 April 2011. Fully franked @ 30% tax	2,746	-
Total dividends paid during the year	6,865	-
<i>Dividends proposed and not recognised as a liability</i>		
2010 final dividend of 1.5 cents per fully paid share, to be paid 30 September 2010. Fully franked @ 30% tax	-	4,119
2011 final dividend of 1.5 cents per fully paid share, to be paid 19 October 2011. Fully franked @ 30% tax	4,119	-
Total dividends proposed	4,119	4,119

6. DISCONTINUED OPERATIONS

In November 2010, a final payment of \$1.2 million was received in respect of the sale of the Contract Building division to Sekisui House Limited. Total sales proceeds inclusive of the initial payment received on 2 August 2010, amounted to \$21.3 million.

The results for the year include the results of the discontinued operation for the month of July 2010. Ownership of the Contract Building division was transferred effective 1 August 2010.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

6. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations for the current year (the month of July 2011 only) and prior year (12 months) are presented below:

	Note	2011 \$'000	2010 \$'000
External sales		15,503	203,345
Other revenue		13	172
Change in inventories, finished goods and work-in-progress		(12,794)	(165,252)
Other expenses		(4,142)	(44,878)
<hr/>			
Loss from discontinued operations before tax		(1,420)	(6,613)
Tax (expense)/benefit		(287)	1,984
Loss from discontinued operations after tax		(1,707)	(4,629)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

7. CONTRIBUTED EQUITY

	2011 Number	2010 Number	2011 \$'000	2010 \$'000
Ordinary shares	274,588,694	274,588,694	122,837	122,837
Treasury shares	(1,708,786)	(666,667)	(1,002)	(259)
Share capital			121,835	122,578

(a) Movement in ordinary share capital	Number	Number	\$'000	\$'000
As at the beginning of the year	274,588,694	274,588,694	122,837	122,837
As at the end of the year	274,588,694	274,588,694	122,837	122,837

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are currently no unexercised or outstanding options. No options were exercised during the year.

(b) Movement in treasury shares

As at the beginning of the year	(666,667)	(1,000,000)	(259)	(259)
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	(1,375,452)	-	(743)	-
Employee shares issued	333,333	333,333	-	-
As at the end of the year	(1,708,786)	(666,667)	(1,002)	(259)

Treasury shares are shares in AVJennings Limited that are held by the AVJ Deferred Employee Share Plan Trust for the purpose of issuing shares to executives via the AVJ Deferred Employee Share Plan.

The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares.

8. CASH AND CASH EQUIVALENTS

For the purpose of the *Consolidated Statement of Cash Flows*, cash and cash equivalents comprise the following:

	2011 \$'000	2010 \$'000
Cash at bank and in hand	12,260	24,110

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

9. NET TANGIBLE ASSET BACKING

	2011 Cents	2010 Cents
Net Tangible Asset backing (NTA) - cents per ordinary security	109.9	108.0

Ordinary shares on issue as at 30 June 2011 were 274,588,694 (2010: 274,588,694). Refer to note 7 for details.

10. INTEREST IN JOINT VENTURE OPERATIONS

The Consolidated Entity's interest in the profits and losses of Joint Venture Operations is included in the *Consolidated Statement of Comprehensive Income* under the following classifications:

	2011 \$'000	2010 \$'000
Revenues	10,364	63
Cost of sales	(8,783)	-
Other expenses	(803)	(312)
Profit/(Loss)	778	(249)
Income tax	(233)	75
Net profit/(loss) attributable to members of the parent	545	(174)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interest in an associate or a joint venture entity is accounted for using the equity method of accounting and is carried at cost. Under the equity method, the consolidated entity's share of the results of the associate or the joint venture entity is recognised in the *Consolidated Statement of Comprehensive Income*, and the share of movements in reserves is recognised in the *Consolidated Statement of Financial Position*. The information is set out below:

Equity accounted Associates & Joint Ventures	Interest held in output		Share of Net profit	
	2011	2010	2011 \$'000	2010 \$'000
Name of Associate & Joint Ventures				
Epping JV	10%	10%	240	311
Arlington Rise JV	45%	-	(193)	-
Creekwood (Meridan Plains)	50%	50%	(136)	208
Eastwood	50%	50%	915	713
Sydney Olympic Park Development	50%	50%	-	-
Woodville	50%	50%	953	892
Profit after tax			1,779	2,124

12. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by controlled entities in the normal course of business to unrelated parties, at 30 June 2011, amounted to \$19,443,000 (2010: \$18,836,000). No liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Consolidated Entity's bankers to unrelated parties in the normal course of business at 30 June 2011, amounted to \$15,663,000 (2010: \$871,000). No liability is expected to arise.

13. EVENTS AFTER BALANCE SHEET DATE

Other than matters relating to the extension of the main banking facilities, no matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- a) the Consolidated Entity's operations in the future financial years; or
- b) the results of those operations in future financial years; or
- c) the Consolidated Entity's state of affairs in future financial years.

14. STATUS OF REVIEW OF ACCOUNTS

This Financial Report is based on accounts which are in the process of being audited.