AVJennings

AVJENNINGS REPORTS PRE TAX PROFIT OF $15.5 MILLION

Melbourne: 13 August 2008. Residential property developer AVJennings Limited (ASX : AVJ), today announced a pre-tax profit of $15.5 million for the full year ended 30 June 2008 compared to a $17.8 million pre-tax profit for the 15 month period ended 30 June 2007 ($14.2 million annualised). Revenue for the 12 month period was $517.8 million compared to $632.2 million for the 15 month period ended 30 June 2007 ($505.8 million annualised).

Performance

Contract signings for the 12 months to 30 June 2008 were $570.0 million, compared to $698.7 million for the 15 month period ended 30 June 2007 ($559.0 million annualised). However, revenue recognised in the accounts for that period was $517.8 million. The balance will be recognised in subsequent reporting periods.

Current reporting period margins increased to 19.4% from 19.0% in 2007.

Net interest bearing debt at 30 June 2008 per the consolidated accounts was $168.0 million. Including the Company's proportionate share of debt from joint ventures which have been equity accounted, net debt at 30 June 2008 was $194.3 million and this compares with $218.7 million at 31 December 2007 and $119.2 million at 30 June 2007.

12 month results to 30 June 2008	
Revenue ($m)	517.8
Net profit before tax ($m)	15.5
Net profit after tax ($m)	11.2
Net funds employed ($m)	472.4
NTA/Share ($)	1.13
Debt/Equity – consolidated	55.2%
Debt/Equity – including proportionate share of other debt	63.8%
Debt/Total Assets – consolidated	28.9%
Debt/Total Assets – including proportionate share of other debt	31.0%
Earnings per share (cents per share)	4.87
Developable lots controlled or managed	10,800

The result was impacted by:

§ A write down of the carrying amount of inventory by $1.066 million.

§ Extremely slow sales in New South Wales, particularly on the Sydney fringe. The already slow market further weakened following the interest rate rise in December 2007. In this state the Company has adequate completed development inventory and production rates have been slowed to avoid the accumulation of unsold stock.

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§ Low contract signings and margins for Contract Building in a slow market, particularly in New South Wales.

The New South Wales housing environment has been at particularly low levels for a prolonged period due to the compound effects of taxes, protracted approval processes and interest rate rises. These factors are structural in character and, other than possibly interest rates, unlikely to change in the short term.

AVJennings' business model, being residential developments and house construction, has cyclical earnings prospects which are influenced by both activity levels and price growth in the housing sector. The current environment has been particularly difficult for the sector, however a cyclical turnaround is inevitable, as has always been the case.

Whilst short term issues such as affordability, purchaser confidence and investor activity can cause more volatile short term cycles, long term prospects for residential property development are strongly linked to underlying supply and demand. The current cycle has resulted in a major shortfall in housing supply relative to underlying demand. Underlying demand is determined by factors such as net immigration levels, birth rates, etc and remains fundamentally strong.

Consequently, the Company has continued to pursue a growth strategy which has seen its development pipeline increase to some 10,800 lots (or equivalents) from some 7,600 a year ago. A significant proportion of this increase has been by way of development agreements with minimal upfront investment. The increase in its developments pipeline positions the Company well for the next growth cycle in the housing sector.

Dividend

The Directors have declared a fully franked final dividend of 2.0 cents per share.

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