

AVJennings Limited  
ABN 44 004 327 771  
1 Lakeside Drive  
East Burwood VIC 3151  
Australia  
Telephone: +61 3 9210 9888

14 August 2009

## **MEDIA RELEASE**

### **OVERVIEW:**

Residential property developer AVJennings Limited (ASX: AVJ), today announced its results for the full year ended 30 June 2009. Revenue was \$504.8 million compared to \$517.6 million for the previous corresponding period. The second half resulted in an after tax loss of \$3.0 million compared to a first half loss of \$9.7 million. The full year result was therefore an after tax loss of \$12.7 million compared to an after tax profit of \$11.2 million for the previous corresponding period.

AVJennings Managing Director and Chief Executive, Mr. Peter Summers said that in the current economic climate, focus has been on capital and cashflow management.

Mr. Summers said this strategy has resulted in reduced debt and stronger balance sheet ratios.

The Company is in full compliance with its debt covenants.

Mr. Summers added that whilst market conditions remain challenging, AVJennings continues to concentrate on matters within its control.

Following the appointment of Peter Summers as Chief Executive Officer in February 2009, a new Executive Team has been created utilising internal resources and further strengthened by additional appointments from outside the Company. In conjunction with the Executive Team, Directors have undertaken a review of strategy and operational aspects of the Company, especially in relation to Contract Building.

Operationally, the second half saw a number of improved outcomes compared to the first half including:

- Significant cash generation that resulted in lower debt levels.
  - Net debt decreased 40.4% from \$171.1 million at 31 December 2008 to \$102.0 million, representing a debt to equity ratio of 35.2% and debt to assets of 21.2%.
  - Including the Company's proportionate share of debt from joint ventures which have been equity accounted, net debt at 30 June 2009 was \$125.0 million compared to \$200.2 million at 31 December 2008.
- Contract Signings for the Company for the six months were up 60.6% from \$183.7 million to \$295.0 million with the majority of this increase occurring in the June 2009 quarter. A substantial proportion of these contracts will result in revenue recognition in the 2010 financial year, particularly the second half of the year.
- Turnover was up 9% from \$241.8 million to \$263.0 million.
- Increased momentum in relation to the roll out of new displays and product.

As at 30 June 2009, the Company's net assets per share was \$1.06 and net tangible assets per share was \$1.04. This follows a full review of asset carrying values which did not result in any write downs of the Company's projects reflecting the conservative approach to acquisitions adopted in recent years. However, \$1 million (pre-tax) was written down in relation to the carrying value of display homes.

**FUNDING:**

The Company's main banking facilities mature on 30 September 2009. The Company has received and accepted a detailed Indicative Term Sheet in respect of the facilities for a further 12 months. Subject to the banks' usual credit approval process, final documentation is expected to be signed within the next 4-5 weeks. The Company expects that the renewed facilities will be sufficient for the Company's normal ongoing business operations.

Lower reliance on the main banking facilities has been achieved through a number of joint venture arrangements and development agreements which have reduced cash requirements under the facilities and preserved capital. As previously reported, the Company continues to explore new funding structures and arrangements.

**RESIDENTIAL PROPERTY FUND:**

In February 2009, the Company announced its intention to launch the AVJennings Residential Property Fund.

To date, feedback on the structure of the fund has been positive and has confirmed the Company's belief that there is a market requirement for this type of product. However, the capacity of many potential investors continues to be constrained due to them being over-weight to property at this time.

The Company remains committed to the fund and its long term strategic benefits. Accordingly, Directors have decided that it is important to take a long term view and that additional time be allowed to let potential investors participate, rather than react to short term market issues.

**OUTLOOK:**

Decreased interest rates and the introduction of the First Home Owners Boost have, to a degree, had a positive impact as evidenced by the increase in contract signings for the second half. However, the Company continues to be faced with market pressures and challenges such as holding costs, caused by planning and building approval delays and substantial government charges and levies which have led to significant constraints on the ability to deliver sufficient affordable housing to the market. As well, consumer confidence continues to be impacted by factors such as rising unemployment and difficulties customers face sourcing finance.

Mr. Summers said that despite continuing uncertain global economic conditions, AVJennings is well positioned for the future and expects 2010 to show improved financial and operational performance.

"AVJ has a land bank of some 9,825 lots under control or management, equivalent to approximately 5 years supply, and whilst operating in the current economic climate, maintains a conservative approach to managing the business," Mr. Summers added.

"Additionally, the majority of projects are under development or have development approval and are targeted at the affordable housing segment of the market which has been, and is likely to remain in the short to medium term, the strongest market segment."

Mr. Summers concluded that the improvement in contract signings in the second half of the financial year ended 30 June 2009 will underpin much of this improvement, however, the timing of projects and getting jobs to site for Contract Building will see most of the accounting outcomes reflected in the second half of the financial year just commenced.

**Enquiries:** Ted McDonnell: 0434 434 868