

August 12 2010

ASX and Media Announcement

AVJennings Poised for Growth

Highlights

- Net Profit after Tax improved to \$9.6m from a loss of \$12.7m in 2009
- Sale of Contract Building Division to Sekisui House Australia Holdings Pty Ltd
- A 35% reduction in Net Debt to \$81.4m from \$125.0m in 2009; Strong Balance Sheet poised for growth
- Bank facilities renewed and introduction of new financial institutions
- Long-term residential market outlook remains positive
- Declaration of 1.5 cents per share dividend, fully franked
- Good developments pipeline of 9,400 lots
- No inventory write downs

Financial Performance

Leading residential property developer AVJennings Limited (ASX: AVJ) increased Net Profit after Tax by 176% to \$9.6m for the full year to 30 June 2010. Net Profit from Continuing Operations was \$14.2m, an increase of 166%, while the Discontinuing Operations (Contract Building sold to Sekisui House Australia) returned a loss of \$4.6m for the full year – a 74% improvement on the previous year's loss of \$18.1m.

AVJennings Chief Executive Officer, Mr Peter Summers said, "The Company has produced a solid outcome and that the results are a credit to all staff involved. Whilst pleasing, the results are the first step in achieving our long-term strategies.

The last 18 months have been challenging and there are still some hurdles to overcome, however we are back on track as a Company. The sale of the Contract Building Division to Sekisui House Australia is an indicator of the Board and Management's strategy to focus on our core skills of Land, Integrated Housing and Low-Rise Apartment Buildings."

Dividends

Reflecting confidence in the refocussed AVJennings, Directors have resumed dividends, declaring a final dividend of 1.5 cents per share, fully franked. It was also decided to suspend the Dividend Reinvestment Plan.

Business Performance

Increasing levels of uncertainty in the market and a desire to re-position the Company for the future resulted in AVJennings taking a conservative view in the last 12 months. This included the postponement in the commencement of some projects. These projects are now underway and will contribute to improved revenues towards the second half of FY11. However, some uncertainty remains in relation to the upcoming State and Federal government elections, the end to the First Home Owner's Grant, recent increases in interest rates, inadequate government planning, excessive government charges and the lack of co-ordinated land release strategies.

Victoria has performed strongly. While AVJennings has benefited from the state's strong migration program and reasonable planning and approval processes, the major factor has been the Company's ability to create high quality projects in strong growth areas.

New South Wales continues to be slow, though it has improved on 2009. The removal of stamp duty for sales off-the-plan under \$600,000 is expected to be positive in the medium to long-term – however it has reduced housing starts as there is a substantial disincentive to start construction without pre-sales. During FY10, AVJennings' results benefited positively from the Erskineville apartment project. Key components of the project's success were the location, and the mix of high-quality affordable housing constructed – both essential in the still subdued Sydney market.

The Queensland market has not been as buoyant as other states. However, good revenue streams are anticipated as AVJennings has a number of projects in good locations and at price points that are attractive to buyers.

The South Australian market and AVJennings' performance within that market has been satisfactory. Our flagship project is the redevelopment of the Cheltenham Racecourse being undertaken as a joint venture with Urban Pacific Limited. Development will commence in the coming months, and the project will be an important new revenue stream.

Land and Integrated Housing

Land development is, and will continue to be, an important element of the Company's operations. However, AVJennings' skill in delivering high quality Integrated Housing has been a key factor in its ability to respond to demanding times in recent years. This skill will be even more important as planning approval processes become more complex and the need to deliver affordable housing in spite of rising land prices increases.

Contract Building

Following a number of years of losses and a detailed operational review in the early part of FY10, the Board was optimistic that the Division could be turned around. However, the unsolicited approach by Sekisui House Australia in December 2009 provided the opportunity for AVJennings to form an alliance with this leading international residential builder.

The transaction, which settled on 2 August 2010, resulted in AVJennings selling the assets of its Contract Building Division – including freehold and leasehold displays, house designs and the right to manage all existing contracts. In return, the Company received payments of approximately \$20.0m. Sekisui will also pay royalties for the right to use the AVJennings brand for its contract building operations for the next 3 years.

Financial Strength and Funding

Capital management has been a key focus of the Board and Management, particularly over the last 2 years. This is reflected in the continued strengthening of the AVJennings Balance Sheet through the reduction of bank debt.

As at 30 June 2010, Net Debt, including a proportionate share of joint venture debt, was \$81.4m, a 35% reduction over the previous year, and a 58% reduction from 2008 when Net Debt was \$194.3m. Consequently, AVJennings is well placed to capitalise on new growth opportunities that are starting to emerge in the residential sector.

The Company has received offers from its bankers to renew its main facilities. Over the year, AVJennings has also introduced new financial institutions allowing the Company greater project funding flexibility.

Management Structure

“The full year results reflect the total review of the Company’s operations undertaken early in 2009. The outcome has been a stronger management team, with more responsibility and more accountability for their own areas of control and expertise. The focus on building a strong national management team has resulted in greater planning and project monitoring, reduced costs and better workflow control at the local level,” Mr Summers said.

Outlook

Mr Summers said, “Our major focus for the next 12-18 months is sustained, consistent improvement. We have a solid base of some 9,400 developable lots in our pipeline, the benefit of the AVJennings brand and, coupled with improved internal structures, a stronger management team and strengthened financial resources. Consequently, we have set ourselves challenging goals. Whilst the Company will continue to adopt the same prudent investment criteria in assessing acquisition opportunities, and despite slow land release processes in parts of Australia, AVJennings is actively looking to build its pipeline in the coming 12-18 months.

For further information:

Media: Ted McDonnell, 0434 434 868

Investor Relations: Anna Candler, 0412 995 586