



AVJennings Limited
ABN: 44 004 327 771

Annual Financial Report
30 June 2009



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Directors' Report

For the year ended 30 June 2009

Your Directors present their Report on the Company and its controlled entities for the year ended 30 June 2009.

DIRECTORS

The names of the Company's Directors in office during the year and until the date of this report are as follows. Directors have been in office since the start of the year to the date of this report, unless otherwise stated.

S Cheong	Chairman (Non-Executive)
RJ Rowley	Deputy Chairman (Non-Executive)
PK Summers	Managing Director and Chief Executive Officer (formerly Chief Financial Officer)
E Sam	Director (Non-Executive)
HR Hochstadt	Director (Non-Executive)
B Chin	Director (Non-Executive)
BG Hayman	Director (Non-Executive)
LF Milkovits	Managing Director and Chief Executive Officer (Resigned 1 December 2008)

COMPANY SECRETARY

The names of the Company Secretaries in office during the year and until the date of this report (unless otherwise stated) are as follows:

CD Thompson	Appointed 12 January 2009
PK Summers	
HL Linacre	Resigned 5 September 2008

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were Residential Land Development, Residential Housing Development and Contract House Building.

There was no significant change in the nature of these activities during the financial year.

OPERATING RESULTS

The consolidated loss after tax for the financial year was \$12.7 million (2008: \$11.2 million profit after tax).

DIVIDENDS PAID OR PROPOSED

No dividend has been proposed, paid or is payable in respect of the financial year ended 30 June 2009 (2008: \$5,332,489 fully franked).

Directors' Report

For the year ended 30 June 2009

REVIEW OF OPERATIONS

OVERVIEW:

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.

In the current economic climate, focus has been on capital and cashflow management and this has resulted in reduced debt and stronger balance sheet ratios. The Company is in full compliance with its debt covenants.

Whilst market conditions remain challenging, the Company is concentrating 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 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.

The result for the year includes an unrealised loss of \$3.1 million (after tax) on interest rate hedging contracts. The Company regularly has in place such contracts to prudently limit its interest rate exposure. Due to interest rate reductions, mainly in the first half, the current market value of these contracts has decreased resulting in the unrealised loss.

The result reflects the challenging external environment that has existed in recent years for the Company and the industry in general. Many of the challenges have resulted from the global financial crisis. However, they also reflect the impact of substantial government charges and delays and costs resulting from the poor planning approval process as discussed under Integrated Housing Developments.

Directors' Report

For the year ended 30 June 2009

REVIEW OF OPERATIONS (continued)

SEGMENT RESULTS:

Integrated Housing Developments:

Integrated Housing turnover for the year increased by 34.8% to \$145.6 million. The improved performance emerged as a result of this type of product offering affordable housing options accommodating current economic conditions and being suited to the Federal Government's First Home Owners Boost.

This increase enabled the Company to generate significant cashflows resulting in reduced debt levels. However, margins remained low as the new housing market has continued to carry significant costs, particularly in New South Wales, due to:

- Additional holding costs caused by planning and building approval delays.
- Substantial government charges and levies.

These costs continue to accumulate and impact on the industry's ability to deliver sufficient supply of affordable housing stock to meet Australian housing needs.

Land Developments:

Land turnover for the year decreased by 23.4% to \$166.4 million. The Company's major land customer base is other builders who tend to take a more prudent approach to purchasing in challenging market conditions. Additionally, many of these builders have faced difficulties sourcing bank financing, thereby further limiting sales to this customer category.

Margins on land sales decreased during the year due to the impact of amortising holding costs incurred in previous years and the full year impact of price decreases, reflecting an industry wide trend, initiated in the second half of the previous financial year. Land was also impacted by the issue of carrying costs referred to in Integrated Housing above.

Apartments Developments:

The Company currently has 2 apartment projects in New South Wales, both within 15 kilometres of the Sydney CBD. Only one of these, Kirra on Powell at Killara, New South Wales is at revenue recognition stage. Kirra is a prestige development which, whilst representing excellent value for a quality product, is in the high end market segment which has been slow in Sydney. The remaining apartment project, Verve at Erskineville, is recording strong pre-sales as it offers affordable housing options within a prime location. Revenue recognition for Verve is forecast to commence in December 2009.

Contract Building:

Contract Building turnover decreased by 5.0% to \$158.9 million as a result of poor contract signing levels in the prior year and the first half to 31 December 2008. The business segment remains a challenge. However, the Company expects that the strengthening of management together with the introduction of new product, opening of new displays, new workflow systems which will greatly improve efficiency and a reinforced focus on customer service, will result in significant improvement in 2010 and beyond. Improvements have already emerged as evidenced by the second half which has seen a 79.7% increase in contract signings from \$67.7 million to \$121.6 million and improved margins on new contracts. This increased contract signings level will translate into increased revenue in the financial year just commenced.

Directors' Report

For the year ended 30 June 2009

REVIEW OF OPERATIONS (continued)

SEGMENT RESULTS: (continued)

Contract Building: (continued)

Even though this second half outcome has been significantly aided by the Federal Government's First Home Owners Boost, the Company's traditional market segment is second and subsequent home buyers and recovery in this segment, and the internal improvements referred to above, will be the main drivers for better outcomes from this division.

BALANCE SHEET:

Review of Carrying Values

Whilst Directors and management continually monitor inventory carrying values, the current market environment has seen extra focus placed on this at 30 June 2009. The review process has not identified any development projects requiring a write down based on the realisable values that are estimated to be derived from the development intentions for each project.

Directors and management have also examined the carrying value of other assets. The outcome of this review has been a provision of approximately \$1 million (pre-tax) against the carrying values of Contract Building display homes. This provision relates to over capitalisation on some displays, as well as price reductions to ensure sales are achieved on a timely basis, thereby reducing funds employed.

Number of Lots & NTA

As at 30 June 2009, net tangible assets per share was \$1.04 (net assets was \$1.06 per share). Total lots owned or under management or control were 9,825. Based on FY09's utilisation rate of 1,840 lots, this would equate to approximately 5 years supply which is consistent with historical levels.

FUNDING:

The Company's main banking facilities were due to mature on 30 September 2009. The Company has received approval from its bankers renewing the facilities for a further 12 months to 30 September 2010. Documentation is in the process of being completed and is expected to be signed within the next 2 weeks. The renewed facilities are, in the opinion of the Directors, sufficient for ongoing business operations in the foreseeable future. Details are set out in Note 24 to the Financial Statements.

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.

Directors' Report

For the year ended 30 June 2009

REVIEW OF OPERATIONS (continued)

FUNDING: (continued)

As at 30 June 2009, the net debt level as reported in the balance sheet was \$102.0 million. This represented 35.2% of equity and 21.2% of total assets. Taking into account the Company's proportionate share of debt within equity accounted joint ventures, net debt was \$125.0 million with debt to equity of 43.1% and debt to assets of 23.9%.

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, and consumer confidence, which continues to be impacted by factors such as rising unemployment and difficulties customers face sourcing finance. Consequently, it is anticipated that the remainder of 2009 will continue to be challenging.

Nevertheless, the Company is well positioned for the future and expects 2010 to show improved financial and operational performance. It 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. 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.

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.

Directors' Report

For the year ended 30 June 2009

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity's main banking facilities were due to expire on 30 September 2009. As a result, the borrowings under these facilities are shown as a current liability on the *Consolidated Balance Sheet* at 30 June 2009.

As mentioned in the Review of Operations above, subsequent to the end of the financial year, the Company has received approval from its bankers to extend its main banking facilities for a further 12 months to 30 September 2010.

There have been no other significant changes in the state of affairs of the Consolidated Entity during the year other than as disclosed in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than matters relating to funding referred to under Review of Operations above, no matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

- i. the Consolidated Entity's operations in future financial years; or
- ii. the results of those operations in future financial years; or
- iii. the Consolidated Entity's state of affairs in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Future developments in the operations of the Consolidated Entity and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Consolidated Entity.

The prospects and business strategies of the Consolidated Entity are discussed on pages 5 to 7 of this Report.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Consolidated Entity's practice is to ensure that where operations are subject to environmental regulations, those obligations are identified and appropriately addressed. This includes the obtaining of approvals, consents and requisite licenses from the relevant authorities and complying with their conditions.

The Consolidated Entity is not aware of any breaches of environmental regulations and has not incurred any significant liabilities under any such environmental legislation.

Directors' Report

For the year ended 30 June 2009

INFORMATION ON THE DIRECTORS

Simon Cheong *B.Civ.Eng. MBA*

Director since 20 September 2001. Mr Cheong has over 25 years experience in real estate, banking and international finance. He currently serves as Chairman and Chief Executive Officer of SC Global Developments Limited. Mr Cheong has formerly held positions with Citibank (Singapore) as their Head of Real Estate Finance for Singapore as well as with Credit Suisse First Boston as a Director and Regional Real Estate Head for Asia (excluding Japan). In 1996, Mr Cheong established his own firm, SC Global Pte Limited, a real estate and hotel advisory and direct investment group specialising in structuring large and complex transactions worldwide. In February 2007, he was elected President of the prestigious Real Estate Developers' Association of Singapore (REDAS), by an overwhelming majority. In April 2008, he was elected to serve on the Board of the Institute of Real Estate Studies, National University of Singapore. In August 2008, he was appointed to the Republic Polytechnic Board of Governors. He is also a Council Member of the Singapore Business Federation, a position he has held since 2007. Resident of Singapore.

Responsibilities:

Chairman of the Board, Non-Executive Director, Chairman of Investments Committee, Member of Remuneration Committee, Member of Nominations Committee.

Directorships held in other listed entities:

SC Global Developments Limited, Chairman and Chief Executive Officer, since 14 March 2000.

Jerome Rowley *SF Fin, FAICD*

Director since 22 March 2007. Mr Rowley has been a career banker since the early 1970s with Citigroup, Morgan Grenfell and ABN Amro. From 1992 until 2002, he served as Managing Director and CEO of ABN Amro Australia and Head of Relationship Management and Structured Finance for ABN Amro, Asia Pacific. He has been active in both wholesale and investment banking domestically and internationally. During his career, Mr Rowley devoted considerable effort towards the recognition, understanding and management of risk as a means of profit optimization. Of particular significance was his involvement in advising and funding including debt, equity and hybrids, of infrastructure projects in both Australia and Asia Pacific. Resident of Sydney.

Responsibilities:

Deputy Chairman, Non-Executive Director, Chairman of Risk Management Committee, Member of Investments Committee.

Directorships held in other listed entities:

Natural Fuel Limited, from 18 August 2006 to 30 October 2007.

Anaeco Limited, from 15 August 2005 to 30 April 2009.

Peter K Summers *B.Ec. CA*

Director since 27 August 1998. Mr Summers has been employed with the Company and its related corporations since 1984. During that time he has held various management roles in, and Directorships of, these Companies. He was appointed Chief Financial Officer of the Company in 1995 and became Finance Director in August 1998. He was appointed Managing Director and Chief Executive Officer of the Company on 19 February 2009. Mr Summers is a Chartered Accountant, having worked previously with Price Waterhouse. He has extensive experience in general and financial management as well as mergers and acquisitions. Resident of Melbourne.

Responsibilities:

Managing Director and Chief Executive Officer.

Directorships held in other listed entities:

None.

Directors' Report

For the year ended 30 June 2009

INFORMATION ON THE DIRECTORS (continued)

Elizabeth Sam *B.A. Hons (Econ)*

Director since 20 September 2001. Mrs Sam has over 40 years experience in international banking and finance. She has served on numerous high level Singaporean government financial and banking review committees and was the Chairman of the Singapore International Monetary Exchange from 1987-1990 and 1993-1996. Resident of Singapore.

Responsibilities:

Non-Executive Director, Chairman of Nominations Committee, Chairman of Remuneration Committee, Member of Audit Committee.

Directorships held in other listed entities:

Boardroom Limited, since 15 August 2000.
Kasikorn Bank Plc, Thailand, since 29 March 2001.
SC Global Developments Limited, since 23 July 2002.
Banyan Tree Holdings Limited, since 23 March 2004.
The Straits Trading Company Limited, since 30 April 2008.
Nippecraft Limited, from 24 July 2007 to 28 April 2008.

Herman R Hochstadt *B.A (Hons), AMP (Stanford-Insead)*

Director since 30 June 2004. Mr Hochstadt has over 40 years experience in public administration in several Singaporean government departments, including over 10 years in the Ministry of Finance and Monetary Authority of Singapore, and in business, including as Chairman of Export Credit Insurance Corporation of Singapore, the Neptune Orient Lines and APL and as Board Director of Singapore Airlines. He was Chairman of the Singapore Turf Club and a member of the Economics Development Board, Inland Revenue Authority of Singapore, Mass Rapid Transit Corporation, Port of Singapore Authority and National Productivity Board; and served as Special Advisor to the Port & Maritime Authority of Singapore and as High Commissioner for Singapore to Botswana, Mauritius, Namibia, South Africa, Swaziland and Tanzania. Mr Hochstadt is currently a member of Singapore's Presidential Council for Minority Rights and Pro-Chancellor of Nanyang Technological University. Resident of Singapore.

Responsibilities:

Non-Executive Director, Member of Nominations Committee, Member of Audit Committee, Member of Remuneration Committee.

Directorships held in other listed entities:

None.

Directors' Report

For the year ended 30 June 2009

INFORMATION ON THE DIRECTORS (continued)

Bobby Chin CA (ICAEW), B. Acc

Director since 18 October 2005. Mr Chin is the Chairman of Singapore Totalisator Board and serves on the Boards of Competition Commission of Singapore and Singapore Labour Foundation. He served 31 years with KPMG Singapore and was its Managing Partner from 1992 until September 2005. Mr Chin is a member of the Institute of Certified Public Accountants in Singapore, and an associate member of the Institute of Chartered Accountants in England and Wales. Resident of Singapore.

Responsibilities:

Non-Executive Director, Chairman of Audit Committee, Member of Nominations Committee.

Directorships held in other listed entities:

Oversea-Chinese Banking Corporation Limited, since 1 October 2005.

Yeo Hiap Seng Limited, since 15 May 2006.

Ho Bee Investment Limited, since 29 November 2006.

Neptune Orient Lines Limited, since 26 December 2006.

Sembcorp Industries Limited, since 1 December 2008.

The Straits Trading Company Limited, from 18 November 2005 to 24 April 2008.

Stamford Land Corporation Limited, from 2 May 2006 to 31 December 2007.

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has over 41 years commercial management experience with 20 of those at operational Chief Executive or General Manager Level. He is currently Chairman of Chartwell Management Services where he brings his very wide business experience to clients by way of the leadership, marketing, business performance and coaching programs he offers. He has fulfilled senior management roles both in Australia and overseas for companies such as Nicholas Pharmaceutical Group, Dairy Farm Group, Hong Kong Land and Seagram Corporation. During his time in Singapore, he held the position of Foundation President of the Singapore Australia Business Council. He has also served as CEO of the Australian Rugby Union. For his contribution to tourism in Australia, he has been recognised by Tourism Training Australia with a Platinum award. He is Chairman of the Board of The Rugby Club Ltd and is a Director of Diabetes Australia – NSW. Resident of Sydney.

Responsibilities:

Non-Executive Director, Member of Remuneration Committee, Member of Nominations Committee, Member of Investments Committee, Member of Risk Management Committee.

Directorships held in other listed entities:

None.

INFORMATION ON THE COMPANY SECRETARY

Carl D Thompson LLB B. Comm

Company Secretary since 12 January 2009. Mr Thompson previously held the company secretary and general counsel role at Downer EDI Limited. Prior to that he was for 12 years a partner at national law firm Corrs Chambers Westgarth, practicing in corporate and commercial work and mergers and acquisitions. Resident of Melbourne.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited)

This Remuneration Report outlines the Director and Executive Remuneration arrangements of the Company and its controlled entities in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and its controlled entities, directly or indirectly, including Directors (whether Executive or otherwise) and the Executive Committee members.

In addition, information is provided relating to the five highest paid employees.

1. Details of Key Management Personnel and the five highest paid Executives

(i) Directors

S Cheong	Chairman (Non-Executive)
RJ Rowley	Deputy Chairman (Non-Executive)
PK Summers ⁽¹⁾	Managing Director and Chief Executive Officer
E Sam	Director (Non-Executive)
HR Hochstadt	Director (Non-Executive)
B Chin	Director (Non-Executive)
BG Hayman	Director (Non-Executive)
LF Milkovits	Managing Director and Chief Executive Officer (Resigned 1 December 2008)

(1) Appointed as Managing Director and Chief Executive Officer on 19 February 2009. Prior to this, Mr Summers was Finance Director and Chief Financial Officer of the Company.

Following the appointment of Mr Summers in February 2009 to the position of Chief Executive Officer, an Executive Committee was formally established. Prior to this, state operational divisions generally reported directly to the Chief Executive Officer.

(ii) Executives

Key Management Personnel (KMP)

M Henesey-Smith ⁽²⁾	Chief Operating Officer, Developments
A Soutar ⁽³⁾	Executive General Manager, Contract Building
SC Orlandi ⁽⁴⁾	Chief Financial Officer
CD Thompson ⁽⁵⁾	Company Secretary/General Counsel
L Hunt ⁽⁶⁾	General Manager, Human Resources

Other Executives

P Vlitias	Executive General Manager Developments (Victoria)
PA Jackson	Executive General Manager Developments (South Australia)
GW Trezise ⁽⁷⁾	State Manager Apartments (New South Wales)
M Roser ⁽⁸⁾	Executive General Manager, Contract Building

The "Other Executives" above were part of KMP prior to the formation of the Executive Committee in February 2009.

(2) Appointed as Chief Operating Officer, Developments on 19 February 2009. Prior to this, Mr Henesey-Smith was Executive General Manager Developments (Queensland). Member of Executive Committee.

(3) Appointed on 19 January 2009. Member of Executive Committee.

(4) Appointed as Chief Financial Officer on 3 June 2009. Prior to this, Mr Orlandi was Executive General Manager Developments (New South Wales). Member of Executive Committee.

(5) Appointed on 12 January 2009. Member of Executive Committee.

(6) Appointed on 22 June 2009. Member of Executive Committee.

(7) Ceased employment on 30 January 2009.

(8) Ceased employment on 19 December 2008.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

2. Principles Used to Determine the Nature and Amount of Remuneration

2.1 The Remuneration Committee

The Board has established a Remuneration Committee that is comprised of four Non-Executive Directors. The Committee is responsible for determining and reviewing remuneration arrangements for the Directors and Executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Executives on a periodic basis by reference to relevant employment market conditions and the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Director and Executive team.

The Committee meets at least annually and the Chief Executive Officer attends its meetings by invitation when required to report on, and discuss, Executive performance and remuneration matters. The Chief Executive Officer is excluded from Committee deliberations relating to his position.

2.2 Remuneration Philosophy

The performance of the Consolidated Entity depends upon the quality of its Directors and Executives. To ensure compliance with the objective of maximising stakeholder benefits, the Consolidated Entity attempts to attract, motivate and retain highly skilled Directors and Executives. To this end, the Consolidated Entity is in the process of developing appropriate performance hurdles for variable Key Management Personnel remuneration (excluding Non-Executive Directors).

2.3 Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

2.4 Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Consolidated Entity with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to Shareholders.

The aggregate remuneration of Non-Executive Directors is determined from time to time by a General Meeting. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Two Non-Executive Directors, Mr S Cheong and Mrs E Sam, do not receive fees, however the Consolidated Entity pays a consulting fee to the Ultimate Parent Entity SC Global Developments Limited.

The remaining Non-Executive Directors received an annual base fee of \$50,000. An additional fee of \$10,000 was paid to the Chairman of the Audit Committee in recognition of the additional time commitment required by this Non-Executive Director, who served as Chairman of the Audit Committee.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

2.4 Remuneration of Non-Executive Directors (continued)

With the exception of superannuation contributions payable for Australian Directors in accordance with superannuation guarantee legislation, Non-Executive Directors do not receive any retirement benefits. They do not participate in any incentive programs.

The remuneration of Non-Executive Directors for the years ended 30 June 2009 and 30 June 2008, is detailed on page 18 of this Report.

2.5. Executive Remuneration

The Consolidated Entity aims to reward its Executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- i) Reward the Executives for the Consolidated Entity, business unit and individual performance against targets set by reference to appropriate benchmarks;
- ii) Align the interests of Executives with those of Shareholders; and
- iii) Ensure total remuneration is competitive by market standards.

Executive Directors and KMP Executives receive a mix of fixed and variable remuneration. The proportions vary at different levels within the Consolidated Entity reflecting the capacity of these managers to influence the overall outcome of the Consolidated Entity's operations and returns to Shareholders. In addition, the Chief Executive Officer receives share-based compensation.

With the exception of the share-based compensation for the Chief Executive Officer, the Consolidated Entity has no other Long Term Incentive (LTI) scheme in place.

i) Fixed Remuneration

Fixed Remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of the Consolidated Entity, business unit and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. The Committee has access to external advice independent of Management.

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Consolidated Entity.

The fixed component of executive remuneration is detailed in the tables on page 19.

ii) Variable Remuneration – Short Term Incentive (STI)

Executive Committee members are not subject to a formal STI program. Their performance is reviewed annually by the Board and any incentive payment is currently at the absolute discretion of the Board. An STI program is currently being considered for KMP Executives.

An STI program exists for operational management. The objective of the STI program is to link the achievement of the Consolidated Entity's operational targets with the remuneration received by the Managers charged with meeting those targets. The potential STI available is set at a level that provides sufficient incentive to the Manager to achieve the operational targets, and ensures that the cost to the Consolidated Entity is reasonable in the circumstances.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

2.5. Executive Remuneration (continued)

ii) Variable Remuneration – Short Term Incentive (STI) (continued)

For operational management, actual STI payments paid to each Manager depend on the extent to which specific targets set at the beginning of the financial year are met. The targets are established to ensure continuing Consolidated Entity performance and maximise stakeholder benefit.

For the reporting period, the targets consisted of a number of Key Performance Indicators (KPIs) such as contribution to net profit before tax for the business unit or the business segment. These measures were chosen because they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

No part of the STI program involves a comparison of performance with factors external to the Consolidated Entity.

There are predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of the performance against the KPIs, the Remuneration Committee determines the amount, if any, of the short term incentive to be paid to each Manager. This usually occurs within two months after the reporting date.

The estimated amount of the STI bonus to be paid is raised as a provision in the results of the financial year to which the STI bonus applies. Participants eligible for the STI scheme can elect, in the period preceding the financial year to which the STI bonus applies, to either salary sacrifice all or part of the bonus to superannuation or to receive the entire bonus as a cash payment.

For the 2008 financial year, 100% of the STI bonus of \$125,000 that was accrued in that year vested to Executives and was paid in the 2009 financial year. The maximum STI bonus payable to Key Management Personnel as considered by the Remuneration Committee for the 2009 financial year was nil.

There have been no alterations to the STI bonus plans since their grant date.

iii) Share-based Compensation

The Chief Executive Officer has been granted 1 million shares in AVJennings Limited which will vest equally on the first, second and third anniversary of his appointment as Managing Director and Chief Executive Officer. The grant date is 7 March 2009 and the first vesting date is 19 February 2010. The vesting condition is the continuity of employment as at each vesting date. The vesting of these shares is not subject to a performance condition as they were granted as part of the terms of appointment to the position and recognition of past performance in an acting capacity in that position. These shares are currently held by the AVJ Deferred Employee Share Plan Trust.

The market value of the shares at the grant date is taken to be the fair value. The fair value is expensed on a straight-line basis over the vesting period.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

3. Group Performance

The table below shows the Consolidated Entity's earnings performance as well as the movement in the Consolidated Entity's earnings per share (EPS) over the previous 5 years.

Financial Report Date	Financial Period	Consolidated Profit / (loss) After Tax \$'000	Basic EPS Cents
31 March 2005	12 months	43,547	20.23
31 March 2006	12 months	16,200	7.53
30 June 2007	15 months	12,164	5.50
30 June 2007	12 months annualised *	9,731	4.40
30 June 2008	12 months	11,231	4.87
30 June 2009	12 months	(12,723)	(4.68)

* Pro-rata for 12 months.

4. Employment Contracts

i) Chief Executive Officer

Mr Summers was appointed as Chief Executive Officer and Managing Director on 19 February 2009. His contract of employment does not have a termination date and does not stipulate a termination payment. However, it specifies a six month notice period. Details regarding the remuneration paid to Mr Summers are contained in the table on page 18. In addition, he has been granted 1 million shares in AVJennings Limited which will vest equally on the first, second and third anniversary of his appointment. The grant date is 7 March 2009 and the first vesting date is 19 February 2010. These shares are currently held by the AVJ Deferred Employee Share Plan Trust.

During the year no options were either granted to or exercised by Mr Summers. There are currently no unexercised or outstanding options.

ii) Executives

The remaining AVJennings Executives are full time permanent employees with executive employment contracts. The employment contracts do not have termination dates or termination payments. However, they specify a notice period of three months. There are no other terms or conditions that differ significantly from the standard employment contracts applicable to other AVJennings employees. During the year no options were granted to or exercised by the Executives. There are currently no unexercised or outstanding options.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

5. *Remuneration of Key Management Personnel and the five highest paid Executives of the Company and the Consolidated Entity*

Details of the nature and amount of each element of remuneration of the Directors and Executives are set out in the tables on page 18 and 19. The Directors are the same as those identified in the *Directors' Report* and Executives include the five highest paid Executives.

6. *Remuneration Options: Granted and Vested During the Year*

No options were either granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Directors or Executives holds any options.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

Directors	Short-Term			Post Employment	Long-Term	Share-based payment	Total	Performance Related
	Salary /	Cash	Other ⁽³⁾	Superannuation ⁽⁴⁾	Long Service	Shares	\$	%
	Fees	Bonus			Leave			
\$	\$	\$	\$	\$	\$	\$		
30 June 2009								
S Cheong ⁽¹⁾	-	-	-	-	-	-	-	-
RJ Rowley	-	-	-	50,000	-	-	50,000	-
PK Summers	391,150	-	24,039	54,442	62,791	21,370	553,792	-
E Sam ⁽¹⁾	-	-	-	-	-	-	-	-
HR Hochstadt	50,000	-	-	-	-	-	50,000	-
B Chin	60,000	-	-	-	-	-	60,000	-
BG Hayman	45,872	-	-	4,128	-	-	50,000	-
LF Milkovits ⁽²⁾⁽⁵⁾	187,151	-	886,681	106,296	-	-	1,180,128	-
	734,173	-	910,720	214,866	62,791	21,370	1,943,920	
30 June 2008								
S Cheong ⁽¹⁾	-	-	-	-	-	-	-	-
RJ Rowley	-	-	-	50,000	-	-	50,000	-
PK Summers	295,325	-	17,789	48,667	9,236	-	371,017	-
E Sam ⁽¹⁾	-	-	-	-	-	-	-	-
HR Hochstadt	50,000	-	-	-	-	-	50,000	-
B Chin	60,000	-	-	-	-	-	60,000	-
BG Hayman	45,872	-	-	4,128	-	-	50,000	-
LF Milkovits ⁽²⁾	523,199	-	-	100,000	30,057	-	653,256	-
	974,396	-	17,789	202,795	39,293	-	1,234,273	

(1) These Directors were not paid Directors' fees. Consulting fees of \$50,000 per month were paid to the parent entity SC Global Developments Limited for services which included the services of these Directors. International airfares to attend meetings are paid for by a related entity.

(2) Resigned 1 December 2008.

(3) Includes the value of motor vehicle benefits.

(4) Payments to Defined Contribution Plans. Consists of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.

(5) "Other" includes a payment of \$386,681 for accrued annual and long service leave and a \$500,000 payment on cessation of employment.

(a) Directors are also reimbursed for airfares (other than the international airfares for those Directors referred to in (1) above), and other expenses relating to the provision of their services.

(b) With the exception of the share-based compensation for the Chief Executive referred to in 2.5(iii), there are no other share-based payments made to Directors in the year under review.

Directors' Report

For the year ended 30 June 2009

REMUNERATION REPORT (Audited) (continued)

<i>Executives</i>	<u>Short-Term</u>			<u>Post Employment</u>	<u>Long-Term</u>	<u>Share-Based Payment</u>	<u>Total</u>	<u>Performance Related</u>
	<u>Salary / Fees</u>	<u>Cash Bonus</u>	<u>Other ⁽⁵⁾</u>	<u>Superannuation ⁽⁶⁾</u>	<u>Long Service Leave</u>	<u>Shares</u>	<u>\$</u>	<u>%</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
30 June 2009								
<i>KMP</i>								
M Henesey-Smith	218,218	-	15,000	98,990	19,564	-	351,772	-
A Soutar ⁽¹⁾	91,241	-	-	45,815	378	-	137,434	-
SC Orlandi	212,786	-	26,000	13,924	8,121	-	260,831	-
CD Thompson	111,116	-	-	6,061	330	-	117,507	-
L Hunt ⁽²⁾	-	-	-	-	-	-	-	-
<i>Other Executives</i>								
P Vlitas	238,449	-	17,721	18,000	8,906	-	283,076	-
PA Jackson	144,312	-	-	95,208	5,726	-	245,246	-
	1,016,122	-	58,721	277,998	43,025	-	1,395,866	
30 June 2008								
M Henesey-Smith	174,132	60,000	15,000	100,000	15,841	-	364,973	16.44
PA Jackson	152,913	20,000	-	100,000	4,315	-	277,228	7.21
SC Orlandi	170,595	-	26,000	13,967	4,174	-	214,736	-
P Vlitas	221,060	45,000	15,000	18,000	9,297	-	308,357	14.59
GW Trezise ⁽³⁾	204,275	-	-	13,392	834	-	218,501	-
M Roser ⁽⁴⁾	151,960	-	19,297	14,184	604	-	186,045	-
	1,074,935	125,000	75,297	259,543	35,065	-	1,569,840	

(1) Appointed as Executive General Manager, Contract Building on 19 January 2009.

(2) Appointed as General Manager, Human Resources on 22 June 2009.

(3) Ceased employment on 30 January 2009.

(4) Ceased employment on 19 December 2008.

(5) Includes the value of motor vehicle benefits.

(6) Payments to Defined Contribution Plans. Consists of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.

(a) There were no share-based payments made to Executives.

Directors' Report

For the year ended 30 June 2009

MEETINGS OF DIRECTORS AND DIRECTORS' COMMITTEES

The number of meetings of Directors and Directors' committees held during the year, for the period the Director was a Member of the Board or a Committee, and the number of meetings attended by each Director are detailed below.

	Full Meetings of Directors		Meetings of Committees							
	Held	Attended	Audit		Remuneration		Nominations		Risk Management	
			Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Cheong	5	5	-	-	2	2	2	2	-	-
RJ Rowley	5	5	-	-	-	-	-	-	5	5
PK Summers	5	5	-	-	-	-	-	-	-	-
HR Hochstadt	5	5	4	4	2	2	2	2	-	-
E Sam ⁽¹⁾	5	5	4	4	2	2	1	1	-	-
B Chin	5	5	4	4	-	-	2	2	-	-
BG Hayman	5	5	-	-	2	2	2	2	5	5
LF Milkovits ⁽²⁾	2	2	-	-	-	-	-	-	-	-

(1) Appointed a Member of the Nominations Committee on 28 November 2008

(2) Resigned 1 December 2008

Investments Committee

The Investments Committee did not meet formally during the year, however it conducted physical inspections of certain major development sites and received detailed briefings from management on all major development sites prior to consideration of formal acquisition proposals which were dealt with by way of circular resolution.

DIRECTORS' INTERESTS

The relevant interests of the Directors in the shares of the Company at the date of this report are:

Director	Number
S Cheong	137,370,023
E Sam	149,534
RJ Rowley	150,000

INDEMNIFYING OFFICERS

During the year, the Consolidated Entity paid a premium in respect of a contract insuring its Directors and employees against liabilities that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Consolidated Entity. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Directors' Report


For the year ended 30 June 2009

ROUNDING OF AMOUNTS

The amounts contained in this Report and in the Financial Statements have been rounded to the nearest \$1,000 (where rounding is permitted) under the option available to the Company under the Australian Securities and Investments Commission (ASIC) Class Order 98/0100. The Company is an entity to which the Class Order applies.

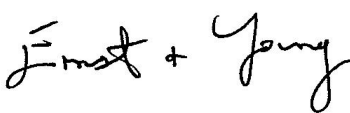
AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young:




Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

In relation to our audit of the financial report of AVJennings Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young
28 September 2009



David Simmonds
Partner

Liability limited by a scheme approved under Professional Standards Legislation

NON-AUDIT SERVICES

A number of non-audit services were provided by the Consolidated Entity's auditor, Ernst & Young. These non-audit services are detailed in note 8 to this Financial Report. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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



Simon Cheong
Director

28 September 2009



Peter Summers
Director

Income Statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenues	5	504,798	517,649	6,000	7,000
Share of profits of associates and joint venture entities accounted for using the equity method		1,481	126	-	-
Change in inventories, finished goods and work-in- progress		(432,428)	(417,234)	-	-
Other operational expenses		(8,431)	(8,625)	-	-
Other income	5	11	1	-	-
Advertising expenses		(6,960)	(9,266)	-	-
Display costs		(9,555)	(7,365)	-	-
Employee expenses		(45,599)	(45,661)	-	-
Depreciation and amortisation expense	5	(1,984)	(2,242)	-	-
Finance costs	5	(1,109)	(520)	-	-
Unrealised loss on interest rate derivatives		(4,412)	-	-	-
Other expenses		(13,744)	(11,412)	-	-
(Loss) / profit before income tax		(17,932)	15,451	6,000	7,000
Income tax credit / (expense)	9	5,209	(4,220)	-	-
(Loss) / net profit attributable to members of the parent		(12,723)	11,231	6,000	7,000

		Cents	Cents
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent			
- Basic earnings per share	11	(4.68)	4.87
- Diluted earnings per share	11	(4.68)	4.87

Balance Sheet

As at 30 June 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CURRENT ASSETS					
Cash and cash equivalents	12	6,475	6,950	-	-
Trade and other receivables	13	15,229	20,517	31,382	31,382
Inventories	14	188,539	246,478	-	-
Tax receivable	15	-	1,501	-	-
Derivatives financial instruments		-	1,047	-	-
Other current assets	16	4,367	5,840	-	-
Total current assets		214,610	282,333	31,382	31,382
NON-CURRENT ASSETS					
Inventories	14	217,434	258,076	-	-
Investments accounted for using the equity method	17	40,021	32,733	-	-
Investments in subsidiary companies	18	-	-	163,286	163,286
Property, plant and equipment	21	5,207	4,880	-	-
Intangible assets	22	3,062	3,554	-	-
Total non-current assets		265,724	299,243	163,286	163,286
Total assets		480,334	581,576	194,668	194,668
CURRENT LIABILITIES					
Trade and other payables	23	50,966	65,669	18,811	22,831
Derivatives financial instruments		3,365	-	-	-
Interest-bearing loans and borrowings	24	109,152	20,020	-	-
Provisions	26	4,831	5,239	-	-
Total current liabilities		168,314	90,928	18,811	22,831
NON-CURRENT LIABILITIES					
Trade and other payables	23	5,319	7,324	-	-
Interest-bearing loans and borrowings	24	460	156,340	-	-
Deferred tax liabilities	25	15,651	21,772	-	-
Provisions	26	847	767	-	-
Total non-current liabilities		22,277	186,203	-	-
Total liabilities		190,591	277,131	18,811	22,831
Net assets		289,743	304,445	175,857	171,837
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	27	122,578	119,247	122,578	119,247
Reserves	28(a)	22	-	21	-
Retained earnings	28(c)	167,143	185,198	53,258	52,590
Total equity		289,743	304,445	175,857	171,837

Statement of Changes in Equity

For the year ended 30 June 2009

CONSOLIDATED	Note	Attributable to equity holders of the parent			Total equity
		Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	\$'000
At 1 July 2007		89,950	-	180,720	270,670
Profit for the year		-	-	11,231	11,231
Total income and expenses for the year		-	-	11,231	11,231
Equity transactions					
- Ordinary share capital raised	27(a)	29,297	-	-	29,297
- Dividends	10	-	-	(6,753)	(6,753)
		29,297	-	4,478	33,775
At 30 June 2008		119,247	-	185,198	304,445
Loss for the year		-	-	(12,723)	(12,723)
Total income and expenses for the year		-	-	(12,723)	(12,723)
Equity transactions					
- Ordinary share capital raised	27(a)	3,590	-	-	3,590
- Treasury shares acquired	27(b)	(259)	-	-	(259)
- Foreign currency translation reserve	28(a)	-	1	-	1
- Share-based payment reserve	28(a)	-	21	-	21
- Dividends	10	-	-	(5,332)	(5,332)
		3,331	22	(18,055)	(14,702)
At 30 June 2009		122,578	22	167,143	289,743
PARENT					
At 1 July 2007		89,950	-	52,343	142,293
Profit for the year		-	-	7,000	7,000
Total income and expenses for the year		-	-	7,000	7,000
Equity transactions					
- Ordinary share capital raised	27(a)	29,297	-	-	29,297
- Dividends paid	10	-	-	(6,753)	(6,753)
		29,297	-	247	29,544
At 30 June 2008		119,247	-	52,590	171,837
Profit for the year		-	-	6,000	6,000
Total income and expenses for the year		-	-	6,000	6,000
Equity transactions					
- Ordinary share capital raised	27(a)	3,590	-	-	3,590
- Treasury shares acquired	27(b)	(259)	-	-	(259)
- Share based payment reserve	28(a)	-	21	-	21
- Dividends paid	10	-	-	(5,332)	(5,332)
		3,331	21	668	4,020
At 30 June 2009		122,578	21	53,258	175,857

Cash Flow Statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		559,961	572,448	-	-
Payments to suppliers, land vendors and employees		(468,300)	(589,274)	-	-
Interest paid		(15,434)	(18,722)	-	-
Income taxes refunded (paid)		706	(3,024)	-	-
Net cash flows from (used in) operating activities	29	76,933	(38,572)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		292	444	-	-
Purchase of property, plant and equipment	21	(2,230)	(1,724)	-	-
Interest received	5	567	670	-	-
Distribution received	17(a)	240	-	-	-
Investments in associates and joint venture entities		(7,528)	(31,972)	-	-
Net cash flows used in investing activities		(8,659)	(32,582)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		135,922	279,474	2,001	-
Repayment of borrowings		(201,738)	(215,648)	-	(22,544)
Payment of finance lease liability		(932)	(908)	-	-
Payment for treasury shares acquired	27(b)	(259)	-	(259)	-
Equity dividends paid		(1,742)	(1,857)	(1,742)	(1,857)
Proceeds from issue of shares	27(a)	-	24,401	-	24,401
Net cash flows from (used in) financing activities		(68,749)	85,462	-	-
NET INCREASE (DECREASE) IN CASH HELD		(475)	14,308	-	-
Cash and cash equivalents at beginning of year		6,950	(7,358)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	6,475	6,950	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

1. CORPORATE INFORMATION

The Financial Report of AVJennings Limited and its subsidiary companies for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 28 September 2009.

AVJennings Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Singapore Stock Exchange through the Central Limited Order Book (CLOB). The ultimate parent is SC Global Developments Limited a company incorporated in Singapore which owns 50.03% of the ordinary shares in AVJennings Limited.

The Consolidated Entity ('AVJennings' or 'Consolidated Entity') consists of AVJennings Limited (the 'Company' or the 'Parent') and its subsidiary companies. The nature of the operations and principal activities of the Consolidated Entity are described in the *Directors' Report*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This Financial Report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

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

a) Compliance with IFRS

The Financial Report complies with Australian Accounting Standards and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) New accounting standards and interpretations

Certain new or amended accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*, may have an impact on the Consolidated Entity's segment disclosures as segment information included in internal management reports is likely to be more detailed than that currently reported under AASB 114 *Segment Reporting*. The full impact of the standard has not yet been determined. This standard is applicable to annual reporting periods beginning on or after 1 January 2009 and is therefore applicable to the Consolidated Entity for the annual reporting period beginning on 1 July 2009.

AASB 2008-1 *Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations* is mandatory for the Consolidated Entity from 1 July 2009. It clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It specifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. The revised standard is not expected to affect the accounting treatment of the Consolidated Entity's share-based payments.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *New accounting standards and interpretations (continued)*

AASB 101 (Revised) *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* introduces as a financial statement the "Statement of Comprehensive Income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other standards. This standard is applicable to annual reporting periods beginning on or after 1 January 2009 and will become mandatory for the Consolidated Entity's annual reporting period ending on 30 June 2010.

Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of that asset. The revised standard will become mandatory for the Consolidated Entity's annual reporting period ending on 30 June 2010. This is unlikely to have an impact on the Consolidated Entity as it currently capitalises all borrowing costs directly attributable to the acquisition, construction or production of qualifying assets.

AASB Interpretation 15 *Agreements for the Construction of Real Estate* clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. The Consolidated Entity has reviewed its current agreements for the sale of real estate in the light of new guidance and concluded that there will be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15 from 1 July 2009.

Other recently issued or amended standards are not expected to have a significant impact on the amounts recognised or disclosures made in these Financial Statements when restated for the application of these new or amended standards.

c) *Basis of consolidation*

The *Consolidated Financial Statements* comprise the Financial Statements of AVJennings Limited and its subsidiary companies as at 30 June 2009.

Subsidiary companies are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The Financial Statements of the subsidiary companies are prepared for the same reporting period as the Parent Entity, using consistent accounting policies.

In preparing the *Consolidated Financial Statements*, all intercompany balances and transactions, income and expenses, and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiary companies are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiary companies held by AVJennings Limited are accounted for at cost in the separate Financial Statements of the Parent Entity, less any impairment charges.

The acquisition of subsidiary companies is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments in subsidiary companies and controlled entities

Investments in controlled entities are accounted for in the *Consolidated Financial Statements* as set out in note 2(c). Investments in joint ventures are accounted for as set out in note 2(e) and investments in associates are accounted for as set out in note 2(f).

e) Interests in joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities, revenues and expenses of a joint venture activity are incorporated under appropriate headings in the *Consolidated Financial Statements*. Details of proportionately consolidated joint ventures are set out in note 20.

Joint venture entities

The interest in a joint venture partnership 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 profits or losses of the partnership is recognised in the *Income Statement*, and the share of movements in reserves is recognised in the *Balance Sheet*. Details relating to the partnerships are set out in note 17(b).

f) Investments in associates

The Consolidated Entity's investment in associates is accounted for using the equity method of accounting. Associates are entities over which the Consolidated Entity has significant influence and that are neither subsidiary companies nor joint ventures.

Under the equity method, investments in associates are carried in the *Balance Sheet* at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of an associate. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any impairment loss with respect to its net investment in an associate.

The Consolidated Entity's share of an associate's post-acquisition profits or losses is recognised in the *Income Statement*, and its share of post-acquisition movements in reserves is recognised in the reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the *Income Statement*, while in the *Balance Sheet* they have the effect of reducing the carrying amount of the investment.

If the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Consolidated Entity does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Consolidated Entity are identical and the associate's accounting policies conform to those used by the Consolidated Entity for like transactions and events in similar circumstances.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Plant, equipment, and motor vehicles	3-7 years
Motor vehicles (held under finance lease)	2-3 years
Leasehold improvements	3-10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

h) Borrowing costs

Borrowing costs include interest, discounts or premiums relating to borrowings, and other costs incurred in connection with the arrangement of borrowings. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

A condition of the main banking facilities (refer to note 24(a)) is that the Consolidated Entity manages interest rate risk by entering into interest rate derivative contracts. To the extent that borrowings under the main banking facilities relate to qualifying assets, the net cost payable under these derivative contracts is capitalised to the cost of the underlying assets.

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than twelve months of construction or development to get it ready for its intended use or sale. In these circumstances, the borrowing costs are capitalised to the cost of the asset. Where funds are borrowed by the Consolidated Entity for the acquisition or development of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing.

i) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The Consolidated Entity does not capitalise any expenditure resulting in the creation of internally generated intangible assets.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the expected useful life of the asset and tested for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by prospectively changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible assets (continued)

At the reporting date, the Consolidated Entity had no intangible assets with indefinite useful lives.

Summarised information in respect of the intangible asset for the current and comparative period is as follows:

Type of asset	AVJennings brand name acquired by way of a business combination
Useful life of the asset	Finite
Amortisation method	Straight line basis over a 20 year life
Impairment testing	At each reporting date or whenever an indicator of impairment exists

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Net realisable value

Net realisable value is determined on the basis of sales of each class of inventory in the ordinary course of business. Estimated costs of selling are deducted in establishing the net realisable value.

Development work-in-progress

Cost includes variable and fixed costs directly related to specific contracts and other costs specifically chargeable under the contracts. Costs expected to be incurred under penalty clauses and rectification provisions as well as borrowing costs, rates and land taxes are also included.

Land and property held for resale

Cost includes the cost of acquisition, development and holding costs such as borrowing costs, rates and land taxes incurred during construction and development. Holding costs incurred after completion of development are expensed.

Construction contracts

Construction work-in-progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Contract costs include all costs directly related to specific contracts, and costs that are specifically chargeable to the customer under the terms of the contract. The stage of completion is measured as a percentage complete of the construction contract.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Trade and other receivables

Trade receivables are carried at original invoice amount less a provision for impairment.

Settlement terms for trade receivables are:

Development housing and land sales – generally between 30 and 180 days

Contract building (progress billing) – generally between 7 and 30 days

Collectability of trade receivables is reviewed on an on-going basis. Receivables that are known to be uncollectible are written-off by reducing the carrying amount. A provision for impairment of trade receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect the outstanding amount.

Where a trade or other receivable is expected to be settled more than twelve months after the reporting date, its carrying amount is discounted using the effective interest rate method. The difference between the carrying amount and the present value is recorded in the *Income Statement*.

l) Cash and cash equivalents

Cash and cash equivalents in the *Balance Sheet* comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

For the purpose of the *Cash Flow Statement*, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the *Balance Sheet*.

m) Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recorded in the *Income Statement* net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and risks specific to the liability. The increase in provision resulting from the passage of time is recognised in finance costs.

o) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the project unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at a pre-tax rate that reflects the time value of money.

Superannuation contributions

Contributions to superannuation plans are recognised as an expense in the *Income Statement* when contributions are paid or become payable.

Bonus entitlements

A liability is recognised in current trade and other payables for employee bonus entitlements where there is a contractual obligation or where a precedent has been set, creating a constructive obligation.

p) Share-based payment transactions

Share-based compensation benefits are provided to the Chief Executive Officer via the AVJ Deferred Employee Share Plan. The cost of these equity-settled transactions is measured at the fair value of the shares at the grant date. The market value at the grant date is taken to be the fair value.

The original cost of equity-settled transactions is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases

Consolidated Entity as lessee

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the *Income Statement* on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Consolidated Entity as lessor

Leases in which the Consolidated Entity retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

r) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable, net of Goods and Services Tax ('GST').

Revenue is recognised for the major business activities as follows:

Developments

Revenue and expenses from the sale of land, houses or apartments are recognised when the significant risks and rewards of ownership and effective control have passed to the buyer and it is probable that the economic benefits, which can be reliably measured, will flow to the Consolidated Entity. Revenue from the sale of land, houses and apartments is generally recognised on settlement. In certain circumstances, land sales are recognised prior to settlement where a signed unconditional contract for sale exists.

Contract building

Contract building relates to Home Building Agreements and the like, whereby a Controlled Entity contracts to build a house or provide other residential construction services. Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of cost incurred. The stage of completion is determined based on the completion of the physical program of the contract work. Where it is probable that a loss will arise from a construction contract, the excess of costs over revenue is recognised as an expense immediately.

Other revenues

All other revenues are recognised on an accruals basis in the *Income Statement*.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) *Income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from, or paid to, the taxation authorities based on current year's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured using the tax rates that are expected to be applied to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

AVJennings Limited and its wholly-owned controlled entities implemented the Tax Consolidation Legislation as of 1 July 2002.

The Head Entity, AVJennings Limited, has entered into an agreement with its wholly-owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to the members of the Tax Consolidated Group.

In addition to its own current and deferred tax amounts, AVJennings Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Balance Sheet*.

Cash flows are included in the *Cash Flow Statement* on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

u) *Derivative financial instruments*

The Consolidated Entity uses interest rate swaps and caps to hedge its risk associated with interest rate fluctuations. In accordance with treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered and subsequently marked-to-market at each reporting date.

Derivatives entered into to reduce exposures to fluctuations in floating interest rates may be accounted for as cash flow hedges provided the hedge designation, documentation and effectiveness tests can be met. To the extent that the hedges do not qualify for hedge accounting, gains or losses from changes in fair value are recognised in profit or loss.

v) *Trade and other payables*

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

w) *Earnings per share*

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements

For the year ended 30 June 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) *Contributed equity*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

The Company's own equity instruments, which are reacquired for later use in employee share-based payment arrangements, are deducted from equity. No gain or loss is recognised in profit or loss for the purchase, sale, issue or cancellation of the Company's own equity instruments.

y) *Foreign currency translation*

Foreign currency transactions are translated into the Entity's functional currency at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies at balance date are translated into the functional currency at the rates of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the *Income Statement*.

The assets and liabilities of foreign operations are translated to Australian Dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated into Australian Dollars at rates approximating the foreign exchange rate ruling at the date of the transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in foreign currency translation reserve ('FCTR'), as a separate component of equity.

z) *Comparative figures*

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

3. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise receivables, payables, finance leases, derivatives, cash, bank loans and overdrafts.

The Consolidated Entity manages its exposure to financial risks in accordance with policies recommended by management and approved by the Board. The objective of these policies is to manage key financial risks such as interest rate, foreign currency, credit and liquidity. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

The Consolidated Entity uses derivative financial instruments, principally interest rate cap and interest rate swap contracts to hedge interest rate risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments.

The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk. Liquidity risk is managed through the use of future rolling cash flow forecasts together with the continuity of funding through the facilities mentioned in note 24(a) and 24 (b).

Primary responsibility for identification and control of financial risks rests with the management under authority of the Board. The Board reviews and agrees on policies for managing each of the risks identified below.

Notes to the Financial Statements

For the year ended 30 June 2009

3. FINANCIAL RISK MANAGEMENT (continued)

Risk exposures and responses

Interest rate risk

The Consolidated Entity's exposure to market interest rates relates primarily to the obligations arising from interest-bearing loans and overdraft. The Consolidated Entity's interest rate risk policy is to manage its finance costs using a mix of fixed and variable rate debt. The target is to hedge approximately 50% of forecast average borrowings at fixed or capped rates of interest. Forecast average borrowings are derived from periodic rolling cash flow forecasts together with an allowance for potential acquisitions. During the financial year a significant amount of debt has been repaid. As a result, the current fixed rate debt is above the target.

Borrowings issued at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity manages the cash flow effect of interest rate risk by entering into interest rate cap and interest rate swap contracts.

Interest rate cap contracts are entered into for a principal Australian Dollar amount by paying an upfront premium that covers a specific period. The strike rates for these contracts are benchmarked against the BBSY bid rate (*Australian Bank Bill Swap Reference Rate - Average Bid Rate*) on a monthly basis. Settlement occurs monthly, in favour of the Consolidated Entity, should the BBSY bid rate be above the cap strike rate (movements in the variable rate are directly proportional to movements in the BBSY bid rate).

Under the interest rate swaps, at the end of every quarter, the Consolidated Entity and the counterparty agree to exchange the difference between the interest calculated by applying the fixed contract rates and that calculated by applying the BBSY bid rate to the principal Australian Dollar amounts.

The Consolidated Entity's interest rate derivatives do not qualify for hedge accounting treatment. Gains or losses arising from changes in fair value are recognised in profit or loss.

As at the reporting date, the Consolidated Entity had the following variable rate borrowings, interest rate swap and interest rate cap contracts outstanding:

	Consolidated 2009		Consolidated 2008	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash	1.50%	(6,475)	6.58%	(6,950)
Bank loans	4.35%	108,451	8.83%	174,911
Lease liabilities	8.33%	1,161	8.79%	1,449
Net financial liabilities		103,137		169,410
Interest rate caps		(65,000)		(65,000)
Interest rate swaps		(65,000)		(65,000)
Unhedged borrowings		(26,863)		39,410

As at 30 June 2009, the principal value of interest rate derivatives exceeded the total amount of borrowings.

The Parent Entity has no financial assets or liabilities exposed to Australian variable rate interest rate risk.

Notes to the Financial Statements

For the year ended 30 June 2009

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

Interest rate swap contracts are exposed to fair value movements if interest rates change. The Consolidated Entity has also entered into Australian Dollar denominated interest rate cap transactions to hedge Australian Dollar borrowings against adverse movements in interest rates. Details regarding the swaps and caps are outlined in note 24(d).

At 30 June 2009, after taking into account the effect of interest rate swaps, approximately 49.7% of the Consolidated Entity's available borrowings are at fixed or capped rates of interest (2008: 44.3%).

The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

The impact of an increase of 1.00% (100 basis points) or an increase or decrease of 0.50% (50 basis points) in average interest rates at reporting date, with all other variables held constant, is illustrated below:

	Post Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1.00% (100 basis points)	368	807	-	-
+0.50% (50 basis points)	184	200	-	-
- 0.50% (50 basis points)	(118)	(814)	-	-

The above fluctuations in profit and equity are net of interest capitalised to inventories. The effect on the profit and equity on the basis that no interest is capitalised, would be as follows:

	Post Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1.00% (100 basis points)	186	251	-	-
+0.50% (50 basis points)	93	(78)	-	-
- 0.50% (50 basis points)	(118)	(814)	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

3. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

The Consolidated Entity's exposure to movements in foreign currencies is immaterial.

Price risk

The Consolidated Entity does not have commodity and equity securities price risk.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the Consolidated Entity.

Contracts for Land, Integrated Housing and Apartments usually require payment in full prior to passing of title to customers. In the event that title is to pass without full payment being received, appropriate credit verification procedures are performed prior to executing the contract.

Contract Building customers are usually billed progressively for work completed. Evidence of the availability of finance is obtained prior to construction commencing. In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to impaired receivables is insignificant. The ageing analysis of Trade Receivables and the movement in provision for impairment is given in note 13(a).

Derivative counterparties and cash deposits are limited to financial institutions approved by the Board.

The Consolidated Entity has no significant concentrations of credit risk. The carrying amount of financial assets included in the consolidated *Balance Sheet* represents the maximum exposure to credit risk in relation to these assets.

Liquidity risk

Liquidity includes the risk that the Consolidated Entity:

- may not have sufficient funds to settle a transaction on the due date;
- may be forced to sell financial assets at values which are less than their carrying amounts;
- may be unable to fully settle a financial liability or recover a financial asset; and
- may be unable to refinance its current borrowings.

Prudent liquidity risk management is undertaken to ensure sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Liquidity risk is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Group Treasury aims at maintaining flexibility in funding by keeping credit lines available.

The Consolidated Entity has received approval to extend its main banking facilities for a further 12 months, subject to an annual review process as outlined in note 24(a). In addition, the Consolidated Entity operates certain project funding facilities which are discussed in note 24(b).

At 30 June 2009, 99.6% (2008: 11.4%) of the Consolidated Entity's interest bearing loans and borrowings will mature in less than one year. Based upon the approved extension of the Company's main banking facilities to 30 September 2010, 28.4% of the Consolidated Entity's debt at 30 June 2009 will mature in less than one year.

Notes to the Financial Statements

For the year ended 30 June 2009

3. FINANCIAL RISK MANAGEMENT (continued)

Financial assets and liabilities are expected to settle as follows:

Consolidated		1-5		
	< 1 year	years	> 5 years	Total
Year ended 30 June 2009	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6,475	-	-	6,475
Trade and other receivables	15,229	-	-	15,229
	21,704	-	-	21,704
Financial Liabilities				
Trade and other payables	50,966	5,319	-	56,285
Interest-bearing loans and borrowings*	110,702	622	-	111,324
	161,668	5,941	-	167,609
Net maturity	(139,964)	(5,941)	-	(145,905)

Consolidated		1-5		
	< 1 year	years	> 5 years	Total
Year ended 30 June 2008	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6,950	-	-	6,950
Trade and other receivables	20,517	-	-	20,517
	27,467	-	-	27,467
Financial Liabilities				
Trade and other payables	65,669	7,324	-	72,993
Interest-bearing loans and borrowings*	20,363	170,645	-	191,008
	86,032	177,969	-	264,001
Net maturity	(58,565)	(177,969)	-	(236,534)

* Expected settlement amounts of interest-bearing loans and borrowings include an estimate of the interest payable to the date of expiry of the facilities.

The Parent Entity has no financial assets or liabilities.

Notes to the Financial Statements

For the year ended 30 June 2009

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Significant judgements, estimates and assumptions made by management in the preparation of these Financial Statements are outlined below:

Value of inventory

As discussed in note 2(j) the Consolidated Entity carries inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs of selling. Estimated selling price is derived from publicly available market data and historical experience, while estimated costs of completion and selling costs are derived from contracted vendor pricing and historical experience. Key assumptions in conducting this exercise require the use of management's judgement and are reviewed on an ongoing basis.

Should the net realisable value be below cost, the carrying amount of inventory is written down to the net realisable value.

Profit recognised on developments

Profit on developments is generally recognised on settlement as discussed in note 2(r). The calculation of profit for projects that are in progress, is based on actual costs to date and estimates of costs to complete.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses carried forward as management considers that based upon forecast profits, it is probable that future taxable profits will be available to utilise these.

Notes to the Financial Statements

For the year ended 30 June 2009

5. REVENUES AND EXPENSES

(Loss)/profit from ordinary activities before income tax includes the following revenues and expenses:

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenues					
Developments		341,659	345,274	-	-
Contract building		158,856	167,222	-	-
Gain on debt forgiven by a controlled entity		-	-	6,000	7,000
Interest received		567	670	-	-
Management fees		2,697	2,327	-	-
Rental revenue		52	127	-	-
Unrealised gain on interest rate derivatives		-	623	-	-
Sundry revenue		967	1,406	-	-
Total revenues		504,798	517,649	6,000	7,000
Other income					
Gain on disposal of property, plant and equipment		11	1	-	-
Total other income		11	1	-	-
Total revenue and other income		504,809	517,650	6,000	7,000
Changes in inventories, finished goods and work-in-progress					
Amortisation of finance costs previously capitalised to inventories		17,510	13,297	-	-
Depreciation and amortisation expense					
<i>Depreciation</i>					
Leasehold improvements	21	251	208	-	-
Plant, equipment and motor vehicles	21	741	892	-	-
<i>Amortisation</i>					
Motor vehicles under lease	21	500	650	-	-
Brand name	22	492	492	-	-
Total depreciation and amortisation expense		1,984	2,242	-	-
Other expenses					
Minimum operating lease payments		8,267	7,704	-	-
Finance costs					
Bank loans and overdrafts		15,303	18,548	-	-
Finance charges payable under finance leases		131	119	-	-
Finance charges payable to land creditors		-	55	-	-
Total finance costs		15,434	18,722	-	-
Less: Amount capitalised to inventories		(14,325)	(18,202)	-	-
Total finance costs expensed		1,109	520	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

6. SEGMENT INFORMATION

The Consolidated Entity operates primarily in residential development and contract building and reports by business segment. It operates wholly within the geographic region of Australia.

The following table presents the revenue and profit information regarding business segments for the year ended 30 June 2009:

<i>Business segments</i>	<i>Continuing Operations</i>						<i>Total Operations</i>			
	<i>Land</i>		<i>Integrated Housing</i>		<i>Apartments</i>		<i>Contract Building</i>		<i>Consolidated</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenues										
External sales	166,371	217,323	145,634	108,064	29,654	19,887	158,856	167,222	500,515	512,496
Share of profits of associates and joint ventures	1,110	184	371	(58)	-	-	-	-	1,481	126
Non-segment revenue	-	-	-	-	-	-	-	-	4,294	5,154
Total revenues	167,481	217,507	146,005	108,006	29,654	19,887	158,856	167,222	506,290	517,776
Results										
Segment results	10,468	40,073	9,537	5,672	(1,828)	(4,284)	(8,312)	(5,600)	9,865	35,861
Unallocated income	-	-	-	-	-	-	-	-	4,294	5,154
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	(1,984)	(2,242)
Unallocated expenses*	-	-	-	-	-	-	-	-	(28,998)	(22,802)
Unallocated interest expense	-	-	-	-	-	-	-	-	(1,109)	(520)
(Loss) / profit before tax									(17,932)	15,451
Income tax credit/(expense)									5,209	(4,220)
Net (loss) / profit									(12,723)	11,231

* Unallocated expenses for the year ended 30 June 2009 include \$4,412,000 of unrealised loss on interest rate derivatives.

Notes to the Financial Statements

For the year ended 30 June 2009

6. SEGMENT INFORMATION (continued)

The following table presents the asset and liability information regarding business segments as at 30 June 2009:

<i>Business segments</i>	<i>Continuing Operations</i>								<i>Total Operations</i>	
	<i>Land</i>		<i>Integrated Housing</i>		<i>Apartments</i>		<i>Contract Building</i>		<i>Consolidated</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Assets										
Segment assets	259,989	331,513	112,028	130,470	52,917	65,724	42,513	34,302	467,447	562,009
Unallocated assets	-	-	-	-	-	-	-	-	12,887	19,567
Total assets	259,989	331,513	112,028	130,470	52,917	65,724	42,513	34,302	480,334	581,576
Liabilities										
Segment liabilities	22,970	30,758	9,978	16,056	3,943	5,219	17,175	22,614	54,066	74,647
Unallocated liabilities	-	-	-	-	-	-	-	-	136,525	202,484
Total liabilities	22,970	30,758	9,978	16,056	3,943	5,219	17,175	22,614	190,591	277,131
Other segment information										
Capital expenditure	-	-	-	-	-	-	-	-	2,230	1,724

Land Development: Builders buy land from AVJennings onto which they package their building products, or end customers buy land from an AVJennings estate and choose their own builder.

Integrated Housing and Apartments Development: The customer buys a completed home, townhouse or apartment within an AVJennings development.

Contract Building: The customer contracts to build a home with AVJennings on land they have sourced themselves.

Notes to the Financial Statements

For the year ended 30 June 2009

7. DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Short-term</i>				
- Salary/Fees	1,750,295	2,049,331	-	-
- Cash bonus	-	125,000	-	-
- Other ⁽¹⁾	969,441	93,086	-	-
<i>Post employment</i>				
- Superannuation ⁽²⁾	492,864	462,338	-	-
<i>Long-term</i>				
- Long service leave	105,816	74,358	-	-
<i>Share-based payment</i>	21,370	-	-	-
	3,339,786	2,804,113	-	-

(1) 'Other' includes the value of motor vehicle benefits. For the year ended 30 June 2009, 'Other' also includes a payment of \$386,681 for accrued annual and long service leave, and a \$500,000 payment on cessation of employment to a Key Management Employee who resigned on 1 December 2008.

(2) Payments to Defined Contribution Plans. Consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.

(b) Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Director and other Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out below. With the exception of shares granted to the Chief Executive Officer discussed in note 7(e) below, there were no other shares granted as compensation during the reporting period.

Shares held in AVJennings Limited

The net other change relates to shares issued under the Dividend Reinvestment Plan, the Rights Issue referred to in note 27 and on-market acquisitions.

Shares held in AVJennings Limited (number)

	Opening Balance	Granted as Remuneration	Exercise Of Options	Net Other Change	Closing Balance
For the year ended 30 June 2009					
Directors					
S Cheong	130,481,150	-	-	6,888,873	137,370,023
E Sam	143,182	-	-	6,352	149,534
RJ Rowley	-	-	-	150,000	150,000
LF Milkovits ⁽¹⁾	730,234	-	-	(730,234)	-
Total	131,354,566	-	-	6,314,991	137,669,557
For the year ended 30 June 2008					
Directors					
S Cheong	95,348,173	-	-	35,132,977	130,481,150
E Sam	104,629	-	-	38,553	143,182
LF Milkovits ⁽¹⁾	711,483	-	-	18,751	730,234
Total	96,164,285	-	-	35,190,281	131,354,566

(1) Resigned 1 December 2008.

Notes to the Financial Statements

For the year ended 30 June 2009

7. DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(b) Shareholdings of Key Management Personnel (continued)

No other Key Management Personnel held shares in AVJennings Limited at any time during the year.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(c) Compensation options: granted and vested during the year

No options were granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Directors or other Key Management Personnel hold any options.

(d) Loans to Key Management Personnel

There are currently no outstanding loans due from Key Management Personnel. No loans were made to Key Management Personnel during the year.

(e) Other transactions with Key Management Personnel

Share-based payment transaction

The Chief Executive Officer has been granted 1 million shares in AVJennings Limited which will vest in equal portions on the first, second and third anniversary of his appointment. The grant date is 7 March 2009 and the first vesting date is 19 February 2010. These shares are currently held by the AVJ Deferred Employee Share Plan Trust. Please refer to note 2(p), note 27(b) and note 34.

8. AUDITOR'S REMUNERATION

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
The audit or review of the 30 June 2009 full-year and 31 December 2008 interim financial reports of the Parent Entity and other entities in the Consolidated Entity	303,000	274,000	-	-
- Share of audit or review costs of the financial reports of the Consolidated Entity's joint ventures	4,500	8,000	-	-
- Other services in relation to the Parent Entity and any other entity in the Consolidated Entity				
- audit related fees	10,000	2,060	-	-
- non-audit related fees	23,175	12,300	-	-
Total auditor's remuneration	340,675	296,360	-	-

Audit fees of the Parent are paid by a related entity.

Notes to the Financial Statements

For the year ended 30 June 2009

9. INCOME TAX

<i>Income tax expense</i>	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
The major components of income tax expense are:				
Current income tax				
Current income tax charge	119	934	-	-
Adjustment for prior periods	793	(439)	-	-
Deferred income tax				
Current year temporary differences	(5,343)	3,725	-	-
Adjustment for prior periods	(778)	-	-	-
Income tax (credit) / expense reported in the Income Statement	(5,209)	4,220	-	-

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

Accounting profit / (loss) before income tax	(17,932)	15,451	6,000	7,000
Tax at Australian income tax rate of 30% (2008 - 30%)	(5,380)	4,635	1,800	2,100
Adjustment for prior periods	15	(439)	-	-
Other non-deductible items and variations	156	24	(1,800)	(2,100)
Income tax (credit) / expense reported in the Income Statement	(5,209)	4,220	-	-

Tax losses

The Consolidated Entity has capital tax losses of \$1,013,526 (2008: \$1,013,526) for which no deferred tax asset has been recognised. These are available indefinitely for offset against future capital gains subject to satisfaction of the relevant statutory tests.

Tax consolidation

AVJennings Limited and its wholly-owned resident entities have formed a tax consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The accounting policy in relation to tax consolidation is set out in note 2(s).

The Head Entity, AVJennings Limited, has entered into an agreement with its wholly-owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the Tax Consolidated Group.

Notes to the Financial Statements

For the year ended 30 June 2009

9. INCOME TAX (continued)

Nature of tax funding arrangements and tax sharing agreements

Entities within the Tax Consolidated Group have entered into a tax funding arrangement and a tax sharing agreement with the Head Entity. Under the terms of the Tax Funding Arrangement, each of the entities in the Tax Consolidated Group has agreed to pay or receive a tax equivalent payment to or from the Head Entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the Tax Consolidated Group.

The Tax Sharing Agreement entered into between members of the Tax Consolidated Group provides for the determination of the allocation of income tax liabilities between the entities should the Head Entity default on its tax payment obligations or if an entity should leave the Tax Consolidated Group. The effect of the tax sharing agreement is that each member's liability for tax payable by the Tax Consolidated Group is limited to the amount payable to the Head Entity under the Tax Funding Arrangement.

10. DIVIDENDS PAID AND PROPOSED

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Dividends paid on ordinary shares during the year</i>					
2008 final of 2.0 cents per fully paid share, paid 31 October 2008. Fully franked @ 30% tax	(a)	5,332	-	5,332	-
2007 final of 3.0 cents per fully paid share, paid 29 October 2007. Fully franked @ 30% tax	(b)	-	6,753	-	6,753
Total dividends paid		5,332	6,753	5,332	6,753
<i>Dividends proposed after year-end and not recognised as a liability as at 30 June:</i>					
2008 final of 2.0 cents per fully paid share, to be paid 31 October 2008. Fully franked @ 30% tax		-	5,332	-	5,332
Total dividends proposed		-	5,332	-	5,332
<i>Franking credit balance</i>					
Franking credits available for subsequent financial years based on a tax rate of 30%				22,125	25,116

(a) The Company has an active Dividend Reinvestment Plan (DRP).

(b) The DRP referred to in (a) above was applicable to both the 2007 and the 2008 final dividend. Details of shares issued under the plan are disclosed in note 27(a).

Notes to the Financial Statements

For the year ended 30 June 2009

11. EARNINGS PER SHARE

	Consolidated	
	2009 Cents	2008 Cents
Basic earnings per share	(4.68)	4.87
Diluted earnings per share	(4.68)	4.87

The following reflects the income used in the computation of basic and diluted earnings per share:

	2009 \$'000	2008 \$'000
(a) Earnings used in calculating earnings per share		
Net (loss) profit attributable to equity holders of the parent	(12,723)	11,231
(b) Weighted average number of shares used as denominator	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	271,926,677	230,645,638

12. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Reconciliation to Cash Flow Statement				
For the purposes of the <i>Cash Flow Statement</i> , cash and cash equivalents comprise the following at 30 June:				
Cash at bank and on hand	6,475	6,950	-	-

13. TRADE AND OTHER RECEIVABLES

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Amounts due under construction contracts and trade receivables		6,892	11,763	-	-
Provision for impairment of trade receivables	(a)	(166)	(59)	-	-
Net trade receivables		6,726	11,704	-	-
Amounts other than trade debtors receivable from related parties		-	-	31,382	31,382
Other receivables	(b)	8,671	8,813	-	-
Provision for impairment of other receivables		(168)	-	-	-
Total current trade and other receivables		15,229	20,517	31,382	31,382

Notes to the Financial Statements

For the year ended 30 June 2009

13. TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired trade and other receivables

An impairment loss of \$334,000 (2008: \$59,000) has been recognised by the Consolidated Entity in the current year.

At 30 June, the ageing analysis of trade receivables is as follows:

	Total \$000	Number of days outstanding				
		0-30	31-60	61-90	+ 91	+ 91
		\$000	\$000	\$000	PDNI \$000	PDNI \$000
2009 Consolidated	6,892	5,220	387	501	618	166
2008 Consolidated	11,763	9,985	282	1,398	39	59

PDNI: Past due not impaired

CI: Considered impaired

With regards to receivables past due not impaired (PDNI), the relevant debtors have been directly contacted and the Consolidated Entity is satisfied that payment will be received in full.

Movements in provision for impairment of trade and other receivables

	Consolidated	
	2009 \$'000	2008 \$'000
At the beginning of the year	59	-
Charge for the year	334	59
Amounts recovered during the year	(59)	-
Amounts written-off during the year	-	-
At the end of the year	334	59

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Consolidated Entity.

Notes to the Financial Statements

For the year ended 30 June 2009

14. INVENTORIES

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Contract Building					
<i>Work-in-progress on contracts</i>					
Cost plus attributable profits		94,454	93,419	-	-
Less: progress billings		(87,174)	(87,720)	-	-
Total work-in-progress on contracts		7,280	5,699	-	-
Land, Housing and Apartments Developments					
<i>Broadacres</i>					
Land to be subdivided - at cost		17,632	24,798	-	-
Borrowing and holding costs capitalised	14(a)	8,301	7,891	-	-
Total Broadacres		25,933	32,689	-	-
<i>Work-in-progress</i>					
Land subdivided or in the course of being subdivided - at cost		38,289	56,747	-	-
Development costs capitalised		10,710	34,547	-	-
Houses and apartments under construction - at cost		24,962	32,246	-	-
Borrowing and holding costs capitalised	14(a)	7,309	2,479	-	-
Total work-in-progress		81,270	126,019	-	-
<i>Completed inventory</i>					
Completed houses and apartments - at cost		43,290	58,017	-	-
Completed residential land lots - at cost		26,212	20,725	-	-
Borrowing and holding costs capitalised	14(a)	4,554	3,329	-	-
Total completed inventory		74,056	82,071	-	-
Total current inventories		188,539	246,478	-	-
Non-current					
Land, Housing and Apartments Developments					
<i>Broadacres</i>					
Land to be subdivided - at cost		127,166	136,555	-	-
Borrowing and holding costs capitalised	14(a)	31,977	39,638	-	-
Total Broadacres		159,143	176,193	-	-
<i>Work-in-progress</i>					
Land subdivided or in the course of being subdivided - at cost		36,626	42,047	-	-
Development costs capitalised		13,391	27,382	-	-
Borrowing and holding costs capitalised	14(a)	8,274	12,454	-	-
Total work-in-progress		58,291	81,883	-	-
Total non-current inventories		217,434	258,076	-	-
Total inventories		405,973	504,554	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

14. INVENTORIES (continued)

- (a) Borrowing costs have been recognised during the financial year as part of the carrying amount of the asset. Borrowing costs include interest, fees and costs associated with interest rate derivatives. These costs have been capitalised at a weighted average rate of 7.93% (2008: 9.13%).
- (b) Inventory with a book value of \$69,003,000 (2008: \$88,197,000) had been pledged as security for project specific borrowings (refer to note 24(b)). The Consolidated Entity's remaining inventory has been pledged as security for the main banking facility (refer to note 24(a)).
- (c) In accordance with the accounting policy set out in note 2(j), the carrying amount of Contract Building display homes has been written down by \$984,000 (2008: Developments inventory \$1,066,000) to its net realisable value.

15. TAX RECEIVABLE

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Income tax refund due	-	1,501	-	-

16. OTHER CURRENT ASSETS

Prepayments	4,079	5,575	-	-
Deposits	288	265	-	-
Total other current assets	4,367	5,840	-	-

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Consolidated	
		2009 \$'000	2008 \$'000
Investment in Associate - unincorporated	17(a)	1,423	964
Interest in Joint Venture Partnerships - unlisted	17(b)	38,598	31,769
Total equity accounted investments		40,021	32,733

The Parent Entity has no interests in equity accounted investments.

Investments in Associates are accounted for in accordance with the policy outlined in note 2(f) while Joint Venture Partnerships are accounted for in accordance with note 2(e).

(a) Investment in Associate

The Consolidated Entity has significant influence over the Associate as it is represented on the project governing body and its employees provide essential technical knowledge to the project. The Associate is an unincorporated entity which trades in Australia. It has a 30 June year-end and its principal activity is the development and sale of residential lots.

Notes to the Financial Statements

For the year ended 30 June 2009

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investment in Associate (continued)

Investment details	Consolidated Interest held	
	2009	2008
<i>Associate name and principal activity</i>		
Epping JV - Land Development	10%	10%

	Consolidated	
	2009	2008
	\$'000	\$'000
<i>Movements in carrying amount</i>		
At the beginning of the year	964	761
Distribution from Associate	(240)	-
Share of net profit	699	203
At the end of the year	1,423	964

Extract from Associate's Balance Sheet:

Current assets	6,966	9,682
Non-current assets	8,766	10,113
Total assets	15,732	19,795
Current liabilities	1,499	10,156
Non-current liabilities	-	-
Total liabilities	1,499	10,156
Net assets	14,233	9,639

Share of Associate's net assets

1,423 **964**

Extract from Associate's Income Statement:

Revenues	22,727	9,176
Net profit	6,994	2,031

Share of profit of Associate

699 **203**

Impairment

The Consolidated Entity's investment in the Associate was not impaired at any time during the year.

Share of Associate's commitments and contingent liabilities

The Associate's commitments and contingent liabilities have been entered into on a non-recourse basis and therefore the Consolidated Entity has no exposure to the Associate's commitments and contingent liabilities as at the date of this Report.

The share of contingent liabilities in respect to certain performance guarantees granted by the Associate in the normal course of business to unrelated parties, at 30 June 2009, amounted to \$158,672 (2008: \$108,592).

Notes to the Financial Statements

For the year ended 30 June 2009

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investment in Joint Venture Partnerships

Investment details	Consolidated Interest held	
	2009	2008
Joint Venture name and principal activities		
Meridan Plains - Land Development and Building Construction	50%	50%
Eastwood - Land Development and Building Construction	50%	50%
Sydney Olympic Park - Commercial Development and Construction	50%	50%
Woodville - Land Development and Building Construction	50%	50%
<hr/>		
	Consolidated	
	2009	2008
	\$'000	\$'000
<i>Movements in carrying amount</i>		
At the beginning of the year	31,769	-
Investment in Joint Venture Partnership	6,183	31,846
Share of net profit / (loss)	646	(77)
<hr/>		
At the end of the year	38,598	31,769
<hr/>		
<i>Extract from Balance Sheets of Joint Venture Partnerships:</i>		
Current assets	32,635	25,361
Non-current assets	131,887	127,147
Total assets	164,522	152,508
<hr/>		
Current liabilities	39,183	39,965
Non-current liabilities	48,143	49,004
Total liabilities	87,326	88,969
<hr/>		
Net assets	77,196	63,539
<hr/>		
Share of net assets of Joint Venture Partnerships	38,598	31,769
<hr/>		
<i>Extract from Income Statements of Joint Venture Partnerships:</i>		
Revenues	15,790	-
Net profit / (loss)	1,292	(154)
<hr/>		
Share of profit / (loss) of Joint Venture Partnerships	646	(77)
<hr/>		

Notes to the Financial Statements

For the year ended 30 June 2009

18. INVESTMENTS IN SUBSIDIARY COMPANIES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Controlled entities unlisted - at cost	-	-	163,286	163,286

19. CONTROLLED ENTITIES

(a) Investment in controlled entities

The following economic entities are the controlled entities of AVJennings Limited:

ECONOMIC ENTITY ⁽¹⁾	% Equity Interest		Included in Banking Cross Deed of Covenant ⁽²⁾	
	2009	2008	2009	2008
Entities included in the Closed Group				
A.V. Jennings Real Estate Pty Limited	100	100	Yes	Yes
AVJennings Real Estate (VIC) Pty Limited	100	100	Yes	Yes
AVJennings Holdings Limited	100	100	Yes	Yes
AVJennings Properties Limited	100	100	Yes	Yes
Jennings Sinnamon Park Pty Limited	100	100	Yes	Yes
Long Corporation Limited	100	100	Yes	Yes
Orlit Pty Limited	100	100	Yes	Yes
Sundell Pty Limited	100	100	Yes	Yes
AVJennings Housing Pty Limited	100	100		
AVJennings Housing VIC. Pty Limited	100	100		
AVJennings Housing N.S.W. Pty Limited	100	100		
AVJennings Housing S.A. Pty Limited	100	100		
AVJennings Housing QLD. Pty Limited	100	100		
AVJennings Home Improvements S.A. Pty Limited	100	100		
AVJennings Mackay Pty Limited	100	100		

(1) All entities are incorporated in Australia.

(2) These entities, including AVJennings Limited, are included under the banking cross deed of covenant referred to in note 24(a).

Notes to the Financial Statements

For the year ended 30 June 2009

19. CONTROLLED ENTITIES (continued)

(a) Investment in controlled entities (continued)

ECONOMIC ENTITY ⁽¹⁾	% Equity Interest		Included in Banking Cross Deed of Covenant ⁽²⁾	
	2009	2008	2009	2008
Entities excluded from the Closed Group				
Petsamo No 66 Pty Limited	100	100		
Hymill Pty Limited	100	100		
AVJennings Project Management Services Pty Limited	100	100		
Crebb No 12 Pty Limited	100	100		
Dunby Pty Limited	100	100		
Epping Developments Limited	100	100		
Montpellier Gardens Pty Limited	100	100		
Sirda Pty Limited	100	100		
AVJ ODP Pty Limited	100	100		
AVJennings (Cammeray) Pty Limited	100	100		
AVJennings Syndicate No 2 Limited	100	100		
AVJennings Syndicate No 3 Limited	100	100		
AVJennings Syndicate No 4 Limited	100	100		
AVJennings Syndicate No 5 Limited	100	100		
AVJennings Syndicate No 6 Limited	100	100		
AVJennings Officer Syndicate Limited	100	100		
AVJennings Hindmarsh Syndicate Limited	100	100		
AVJennings Properties SPV No 1 Pty Limited	100	100		
AVJennings Properties SPV No 2 Pty Limited	100	100		
AVJennings Properties SPV No 3 Pty Limited	100	100		
AVJennings Properties SPV No 4 Pty Limited	100	100		
AVJennings Properties SPV No 5 Pty Limited	100	100		
AVJ Erskineville Pty Limited	100	100		
AVJ Hobsonville Pty Limited	100	100		
AVJ SPV No 8 Pty Limited	100	100		
AVJennings Properties SPV No 9 Pty Limited	100	100		
AVJennings SPV No 10 Pty Limited	100	100		
AVJennings Properties SPV No 11 Pty Limited	100	100		
AVJennings Properties SPV No 12 Pty Limited	100	100		
AVJennings Properties SPV No 13 Pty Limited	100	-		
AVJennings Properties SPV No 14 Pty Limited	100	-		
AVJennings Properties SPV No 15 Pty Limited	100	-		
AVJennings Properties SPV No 16 Pty Limited	100	-		
AVJennings Properties SPV No 17 Pty Limited	100	-		
AVJennings Properties SPV No 18 Pty Limited	100	-		

(1) All entities are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited, which has a branch in New Zealand, all entities operate within Australia.

(2) These entities, including AVJennings Limited, are included under the banking cross deed of covenant referred to in note 24(a).

(b) Ultimate parent

AVJennings Limited is the ultimate Australian Parent Entity. SC Global Developments Limited is the ultimate Parent Entity.

Notes to the Financial Statements

For the year ended 30 June 2009

19. CONTROLLED ENTITIES (continued)

(c) Deeds of cross guarantee

Certain entities within the Group are parties to deeds of cross guarantee under which each controlled entity guarantees the debts of the others. By entering into these deeds, the controlled entities are relieved from the requirement to prepare Financial Statements and Directors' Reports under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/321, 01/1087, 02/248, 02/1017, 04/663, 04/682, 04/1624, 05/542, 06/51, 08/11, 08/255 and 08/618) issued by the Australian Securities and Investments Commission (ASIC). Those entities included in the Closed Group are listed in note 19(a). These entities represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deeds of cross guarantee that are controlled by AVJennings Limited, they also represent the "Extended Closed Group".

(d) Class order closed group

Certain controlled entities were granted relief by ASIC (under provisions of Class Orders) from the requirement to prepare separate audited financial statements, where deeds of indemnity have been entered into between the Parent Entity and the Controlled Entities to meet their liabilities as required (refer note 19(c)).

The Extended Closed Group referred to in the *Directors' Declaration* therefore comprises all of the entities within the Class Order. Certain entities falling outside of the Extended Closed Group are listed in note 19(a), and are therefore required to prepare separate annual financial statements.

The *Income Statement* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2009	2008
	\$'000	\$'000
<i>Income Statement</i>		
Revenues	485,917	480,184
Cost of sales	(419,669)	(390,539)
Other expenses	(89,251)	(78,836)
	<hr/>	<hr/>
(Loss) / profit before income tax	(23,003)	10,809
Income tax credit / (expense)	6,059	(2,244)
	<hr/>	<hr/>
Net (loss) / profit attributable to members of the parent	(16,945)	8,565

Notes to the Financial Statements

For the year ended 30 June 2009

19. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Balance Sheet* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2009	2008
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	6,682	6,885
Trade and other receivables	50,607	18,448
Inventories	96,228	174,732
Tax receivable	-	3,222
Derivative financial instruments	-	1,047
Other current assets	4,229	5,792
Total current assets	157,746	210,126
NON-CURRENT ASSETS		
Inventories	217,434	258,076
Property, plant and equipment	5,209	4,880
Intangible assets	3,062	3,554
Total non-current assets	225,705	266,510
Total assets	383,451	476,636
CURRENT LIABILITIES		
Trade and other payables	-	18,605
Derivative financial instruments	3,365	-
Interest-bearing loans and borrowings	78,701	-
Short-term provisions	4,831	5,239
Total current liabilities	86,897	23,844
NON-CURRENT LIABILITIES		
Trade and other payables	5,319	7,324
Interest-bearing loans and borrowings	460	149,081
Deferred tax liabilities	15,107	20,921
Provisions	847	767
Total non-current liabilities	21,733	178,093
Total liabilities	108,630	201,937
Net assets	274,821	274,699
EQUITY		
Equity attributable to equity holders of the parent		
Contributed equity	122,578	119,247
Reserves	21	-
Retained earnings	152,222	155,452
Total equity	274,821	274,699

Notes to the Financial Statements

For the year ended 30 June 2009

19. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Statement of Changes in Equity* for those controlled entities which are party to the deed is as follows:

Statement of Changes in Equity

	Closed Group	
	2009 \$'000	2008 \$'000
At beginning of the year	274,699	248,528
Net income recognised directly in equity	-	-
Changes in equity due to members entering/exiting the closed group	(1,254)	(4,938)
(Loss)/profit for the year	(16,945)	8,565
Total income and expenses for the year	(18,199)	3,627
Equity transactions		
- Ordinary share capital raised	3,332	29,297
- Share based payment reserve	21	-
- Dividends received from non closed group member	20,300	-
- Dividends paid to equity holders of parent	(5,332)	(6,753)
	122	26,171
At end of the year	274,821	274,699

20. INTEREST IN JOINT VENTURE OPERATIONS

A number of controlled entities have entered into joint venture operations. Information relating to the Joint Ventures is set out below:

<i>Joint Venture name and principal activities</i>	INTEREST HELD IN OUTPUT	
	2009	2008
Regatta Waters / ParkLake Joint Venture - Land Development	50%	50%
Springbank Waters Joint Venture - Land Development	50%	50%
Cammeray Joint Venture - Apartments Development	50%	50%
Cheltenham Joint Venture - Land Development	50%	50%

Notes to the Financial Statements

For the year ended 30 June 2009

20. INTEREST IN JOINT VENTURE OPERATIONS (continued)

The Consolidated Entity's interest in the profits and losses of the Joint Venture Operations are included in the *Income Statement*, in accordance with the accounting policy described in note 2(e), under the following classifications:

<i>Income Statement</i>	Consolidated	
	2009 \$'000	2008 \$'000
Revenues	10,430	14,032
Cost of sales	(8,976)	(10,037)
Other expenses	(288)	(795)
Profit before income tax	1,166	3,200
Income tax expense	(350)	(960)
Net profit attributable to members of the parent	816	2,240

The Consolidated Entity's interest in the assets and liabilities of joint venture operations are included in the *Balance Sheet*, in accordance with the policy described in note 2(e), under the following classifications:

	Consolidated	
	2009 \$'000	2008 \$'000
CURRENT ASSETS		
Cash and cash equivalents	1,077	775
Trade and other receivables	362	97
Inventories	-	4,226
Other current assets	-	55
Total current assets	1,439	5,153
NON-CURRENT ASSETS		
Inventories	9,984	-
Total non-current assets	9,984	-
Total assets	11,423	5,153
CURRENT LIABILITIES		
Trade and other payables	94	1,553
Total current liabilities	94	1,553
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	-	1,605
Total non-current assets	-	1,605
Total liabilities	94	3,158
Net assets	11,329	1,995

The Parent Entity has no interests in joint venture operations.

Notes to the Financial Statements

For the year ended 30 June 2009

21. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Leasehold improvements				
At cost	2,825	2,807	-	-
Less: accumulated depreciation	(1,904)	(1,653)	-	-
Total leasehold improvements	921	1,154	-	-
Plant, equipment and motor vehicles				
At cost	16,445	15,160	-	-
Less: accumulated depreciation	(13,315)	(12,630)	-	-
Total plant and equipment	3,130	2,530	-	-
Motor vehicles under finance lease				
At cost	1,609	1,902	-	-
Less: accumulated amortisation	(453)	(706)	-	-
Total motor vehicles under finance lease	1,156	1,196	-	-
Total property, plant and equipment	5,207	4,880	-	-

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below:

	Note	Leasehold improve- ments \$'000	Plant, equipment and motor vehicles \$'000	Leased motor vehicles \$'000	Total \$'000
For the year ended 30 June 2008					
Consolidated					
Carrying amount at 1 July 2007		1,263	2,803	1,315	5,381
Additions		99	820	805	1,724
Disposals		-	(201)	(274)	(475)
Depreciation/amortisation charge for the year	5	(208)	(892)	(650)	(1,750)
Carrying amount at 30 June 2008		1,154	2,530	1,196	4,880
For the year ended 30 June 2009					
Consolidated					
Carrying amount at 1 July 2008		1,154	2,530	1,196	4,880
Additions		27	1,560	643	2,230
Disposals		(9)	(219)	(183)	(411)
Depreciation/amortisation charge for the year	5	(251)	(741)	(500)	(1,492)
Carrying amount at 30 June 2009		921	3,130	1,156	5,207

Notes to the Financial Statements

For the year ended 30 June 2009

22. INTANGIBLE ASSETS

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Brand name at cost		9,868	9,868	-	-
Less: accumulated amortisation		(6,806)	(6,314)	-	-
Total intangible assets		3,062	3,554	-	-

Reconciliation

Reconciliation of the carrying amount of the intangible asset at the beginning and end of the year is set out below:

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying amount beginning of year		3,554	4,046	-	-
Amortisation charge for the year	5	(492)	(492)	-	-
Carrying amount at end of year		3,062	3,554	-	-

23. TRADE AND OTHER PAYABLES

		Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
<i>Secured</i>					
Land creditors		2,600	4,100	-	-
<i>Unsecured</i>					
Land creditors		6,544	6,980	-	-
Trade creditors		30,791	42,142	-	-
Other creditors and accruals		11,031	12,447	-	-
Loans from controlled entities		-	-	18,811	22,831
		48,366	61,569	18,811	22,831
Total current payables		50,966	65,669	18,811	22,831
Non-Current					
<i>Secured</i>					
Land creditors		-	2,600	-	-
<i>Unsecured</i>					
Land creditors		5,319	4,724	-	-
Total non-current payables		5,319	7,324	-	-

The amounts due to secured land creditors are secured over the title to properties acquired by way of either mortgage bond or bank guarantee in favour of the land vendor. These security arrangements remain in place until final settlement of the amounts due to the land vendor. Titles for the unsecured land creditors only transfer to the Consolidated Entity on full payment of the amount outstanding or upon provision of some other security.

Notes to the Financial Statements

For the year ended 30 June 2009

24. INTEREST-BEARING LOANS AND BORROWINGS

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
<i>Unsecured</i>					
Lease liabilities	30(b)	701	782	-	-
<i>Secured</i>					
Bank loans		108,451	19,238	-	-
		108,451	19,238	-	-
Total current interest-bearing liabilities		109,152	20,020	-	-
Non-current					
<i>Secured</i>					
Bank loans		-	155,673	-	-
<i>Unsecured</i>					
Lease liabilities	30(b)	460	667	-	-
Total non-current interest-bearing liabilities		460	156,340	-	-

Financing arrangements

The Consolidated Entity has access to the following lines of credit (the Parent Entity has no financing facilities other than loans from Controlled Entities):

	Note	Available \$'000	Utilised \$'000	Unutilised \$'000
30 June 2009				
Main banking facilities	24(a)			
- bank overdraft		20,000	-	20,000
- bank loans		180,000	78,000	102,000
- standby credit facility		15,000	-	15,000
- performance bonds and other non-cash facilities		43,750	30,361	13,389
		258,750	108,361	150,389
Project funding	24(b)			
- bank loans		46,600	30,451	16,149
- performance bonds and other non-cash facilities		500	-	500
		47,100	30,451	16,649
Leasing facilities	24(c)	3,500	1,161	2,339

Notes to the Financial Statements

For the year ended 30 June 2009

24. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Financing arrangements (continued)

	Note	Available \$'000	Utilised \$'000	Unutilised \$'000
30 June 2008				
Main banking facilities	24(a)			
- bank overdraft		20,000	-	20,000
- bank loans		180,000	130,000	50,000
- standby credit facility		15,000	-	15,000
- performance bonds and other non-cash facilities		43,750	36,858	6,892
		258,750	166,858	91,892
<hr/>				
Project funding	24(b)			
- bank loans		78,736	44,911	33,825
- performance bonds and other non-cash facilities		2,625	2,125	500
		81,361	47,036	34,325
<hr/>				
Leasing facilities	24(c)	3,500	1,449	2,051

Significant terms and conditions

(a) Main banking facilities

The main banking facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Consolidated Entity, other than those assets pledged as security for project funding (see note 24(b)), and other than those assets pledged as security for properties acquired as detailed in note 23 (secured land creditors). The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee obligations of those entities in relation to the main banking facilities. Details of entities included in the cross deed of covenant are set out in note 19. There is no overdraft at the year-end and the current interest rates on the bank loans range from 4.01% to 4.56% (2008: 8.44% to 9.13%). Drawings under the standby credit facility are to be repaid in 90 days. This facility was unused at 30 June 2009 and at 30 June 2008.

The Consolidated Entity's main banking facilities were due to mature on 30 September 2009. The Consolidated Entity has received approval from its bankers renewing the facilities for a further 12 months to 30 September 2010. Documentation is in the process of being completed and is expected to be signed within the next 2 weeks. The renewed main banking facilities will be secured by a fixed and floating charge over all the assets and undertakings of the entities within the Consolidated Entity as mentioned above, and by first registered mortgages over various real estate inventories other than those assets pledged as security for project funding (see note 24 (b)) and secured land creditors (see note 23).

Notes to the Financial Statements

For the year ended 30 June 2009

24. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(a) Main banking facilities (continued)

The renewed facilities are expected to be sufficient for the Consolidated Entity's normal ongoing business operations. The renewed main banking facilities currently being documented are:

	Facilities as at 30 June 2009 \$'000	Facilities Renewed \$'000
Main banking facilities		
- bank overdrafts	20,000	2,200
- bank loans	180,000	137,800
- standby credit facility	15,000	-
- performance bonds and other non-cash facilities #	43,750	31,000
Total facilities	258,750	171,000

For the facilities renewed, these are interchangeable to \$10 million with bank loans.

(b) Project funding

Project funding facilities are secured by:

- fixed and floating charges over all assets and undertakings of the entities involved in the relevant project, namely, AVJennings Properties SPV No. 5 Pty Limited and AVJ Erskineville Pty Limited;
- first registered mortgage over the real estate inventories of the relevant projects; and
- fixed and floating charge over the assets and undertakings of a project of AVJennings Properties Limited.

At 30 June 2009 the facilities shown are interchangeable up to \$500,000 (2008: \$800,000) between the bank loans and performance bonds/other non-cash facilities. The lines of credit shown are maximum limits which are available progressively as projects are developed. The expiry dates for the facilities take place between September 2009 and August 2010. The facility that was expiring in September 2009 has been extended to 31 March 2010. Individual projects are expected to be completed and the outstanding amounts repaid or refinanced prior to expiry of each facility. As at 30 June 2009, the balance outstanding on these facilities was \$30,451,000 (2008: \$44,911,000).

	Consolidated	
	2009 \$'000	2008 \$'000
The carrying amounts of the pledged assets are as follows:		
Cammeray, New South Wales	-	8,978
Killara, New South Wales	-	27,720
Wollert, Victoria	39,959	37,170
Erskineville, New South Wales	28,247	14,456

The weighted average interest rate on the project funding loans at the year-end was 4.64% (2008: 9.30%).

Notes to the Financial Statements

For the year ended 30 June 2009

24. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(c) Leasing facilities

No separate security has been provided by the Consolidated Entity in relation to lease liabilities. The rights to the leased assets revert to the lessor in the event of default. The facility was due to mature on 30 September 2009. A renewed facility of \$1,200,000 has been approved by its bankers for a further 12 months to 30 September 2010. Documentation is in the process of being completed and is expected to be signed within the next 2 weeks. The current interest rates on finance leases range from 6.52% to 10.14% (2008: 7.44% to 10.14%). The lease terms range between 12 and 36 months.

(d) Interest rate hedge instruments

The Consolidated Entity manages the cash flow effect of interest rate risk by entering into interest rate cap and interest rate swap contracts.

Interest rate cap contracts are entered into for a principal Australian Dollar amount by paying an upfront premium that covers a specific period. The strike rates for these contracts are benchmarked against the BBSY bid rate (*Australian Bank Bill Swap Reference Rate - Average Bid Rate*) on a monthly basis. Settlement occurs monthly, in favour of the Consolidated Entity, should the BBSY bid rate be above the cap strike rate (movements in the variable rate are directly proportional to movements in the BBSY bid rate).

Under the interest rate swaps, at the end of every quarter, the Consolidated Entity and the counterparty agree to exchange the difference between the interest calculated by applying the fixed contract rates and that calculated by applying the BBSY bid rate to the principal Australian Dollar amounts.

As at 30 June 2009, the principal amounts, rates and terms of the interest rate caps and interest rate swaps are as follows:

Type of derivative	Strike Rate %	Fixed Rate %	Consolidated borrowings hedged	
			30 June 2009	30 June 2008
			\$'000	\$'000
Interest rate cap	7.75	-	65,000	65,000
Interest rate swap	-	7.60	35,000	35,000
Interest rate swap	-	7.62	30,000	30,000

The Parent Entity has not entered into any derivative contracts.

Notes to the Financial Statements

For the year ended 30 June 2009

25. DEFERRED TAX LIABILITIES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
The provision for deferred income tax is made up as follows:				
- capitalisation of development costs	18,671	20,374	-	-
- accrued income	227	770	-	-
- prepayments, accruals/provisions and investments	(991)	(438)	-	-
- brand name	919	1,066	-	-
- unrealised loss on interest derivatives	(1,323)	-	-	-
- tax losses carried forward	(1,852)	-	-	-
Deferred tax liabilities	15,651	21,772	-	-

Reconciliations

Reconciliations of the carrying amount of the deferred tax liability at the beginning and end of the year is set out below:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	21,772	18,047	-	-
Tax losses carried forward	(1,852)	-	-	-
Arising temporary differences	(4,269)	3,725	-	-
Carrying amount at end of the year	15,651	21,772	-	-

Tax losses

The Consolidated Entity has capital tax losses of \$1,013,526 (2008: \$1,013,526) which are available indefinitely for offset against future capital gains subject to satisfaction of the relevant statutory tests.

26. PROVISIONS

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits	4,818	5,237	-	-
Other	13	2	-	-
Total current provisions	4,831	5,239	-	-
Non-current				
Employee benefits	847	767	-	-
Total non-current provisions	847	767	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

27. CONTRIBUTED EQUITY

	Note	Consolidated and Parent			
		2009 Number	2008 Number	2009 \$'000	2008 \$'000
Ordinary shares	(a)	274,588,694	266,624,462	122,837	119,247
Treasury shares	(b)	(1,000,000)	-	(259)	-
Share capital				122,578	119,247

(a) Movements in ordinary share capital:	Number	Number	\$'000	\$'000
As at the beginning of the year	266,624,462	225,111,229	119,247	89,950
Issued pursuant to the Rights Issue 5 June 2008	-	37,212,098	-	24,401
Dividend Reinvestment Plan issues 31 October 2008 - issue price \$0.45 per share	7,964,232	-	3,590	-
29 October 2007 - issue price \$1.14 per share		4,301,135		4,896
	7,964,232	41,513,233	3,590	29,297
As at the end of the year	274,588,694	266,624,462	122,837	119,247

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) Movements in treasury shares:	Number	Number	\$'000	\$'000
As at the beginning of the year	-	-	-	-
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	(1,000,000)	-	(259)	-
Employee share scheme issue	-	-	-	-
	(1,000,000)	-	(259)	-
As at the end of the year	(1,000,000)	-	(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 the Chief Executive Officer 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.

Notes to the Financial Statements

For the year ended 30 June 2009

27. CONTRIBUTED EQUITY (continued)

(c) Capital Risk Management

When managing capital, management's objective is to ensure that the Consolidated Entity continues as a going concern. Management also aim to maintain an optimal capital structure that reduces the cost of capital.

In order to maintain or adjust the capital structure, management may change the amount of dividends paid to shareholders, offer a dividend reinvestment plan, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2009, a dividend of \$5,332,489 was paid (2008: \$6,753,337).

Management has no current plans to issue further shares to increase the capital base.

Management monitor the capital mix through the debt to equity ratio (net debt/total equity) and the debt to total assets ratio (net debt/total assets). Based on continuing operations, these ratios are as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest-bearing loans and borrowings *	108,451	174,911	-	-
Less: cash and cash equivalents	(6,475)	(6,950)	-	-
Net debt	101,976	167,961	-	-
Total equity	289,743	304,445	175,857	171,837
Total assets	480,334	581,576	194,668	194,668
Net debt to equity ratio	35.2%	55.2%	0.0%	0.0%
Net debt to total assets ratio	21.2%	28.9%	0.0%	0.0%

* Excludes leased assets amounting to \$1,160,501 (2008: \$1,448,847).

Notes to the Financial Statements

For the year ended 30 June 2009

28. RESERVES AND RETAINED EARNINGS

(a) Reserves	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Foreign currency translation reserve	(b)	1	-	-	-
Share-based payment reserve	(b)	21	-	21	-
Total Reserves		22	-	21	-

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries which have functional currency different to the Australian dollar. Refer to note 2(y).

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of shares issued to employees. Refer to note 2(p) and 7(e) for further details of the plan.

(c) Retained earnings	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movements in retained earnings were as follows:				
At the beginning of the year	185,198	180,720	52,590	52,343
Net (loss) / profit for the year	(12,723)	11,231	6,000	7,000
Dividends	(5,332)	(6,753)	(5,332)	(6,753)
At the end of the year	167,143	185,198	53,258	52,590

Notes to the Financial Statements

For the year ended 30 June 2009

29. CASH FLOW STATEMENT RECONCILIATION

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Reconciliation of (loss) / net profit after tax to net cash flows from operations					
(Loss) / net profit after tax		(12,723)	11,231	6,000	7,000
<i>Adjustments for:</i>					
Depreciation		992	1,100	-	-
Amortisation		992	1,142	-	-
Net loss (gain) on disposal of property, plant and equipment		119	31	-	-
Interest income classified as investing cash flow		(567)	(670)	-	-
Share based payment reserve adjustment		22	-	-	-
<i>Change in operating assets and liabilities:</i>					
Decrease (increase) in inventories		98,581	(14,906)	-	-
Decrease in trade and other receivables		5,288	3,631	-	-
Increase/Decrease in fair value of derivatives		4,412	1,047	-	-
Decrease (increase) in prepayments and deposits		1,473	(4,429)	-	-
Increase (decrease) in deferred tax liability		(6,121)	3,725	-	-
Decrease in current tax liability		-	(1,028)	-	-
Decrease (increase) in current tax assets		1,501	(1,501)	-	-
Decrease in trade and other payables		(16,708)	(38,267)	(6,000)	(7,000)
Increase (decrease) in provisions		(328)	322	-	-
Net cash flows from (used in) operating activities		76,933	(38,572)	-	-
Non-cash financing and investing activities					
Ordinary shares issued pursuant to the Dividend Reinvestment Plan	27(a)	3,590	4,896	-	-
Acquisition of plant and equipment through finance leases	21	643	805	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

30. COMMITMENTS

(a) Capital commitments

Conditional contracts for the acquisition of land which have not yet been recognised in the Financial Statements are as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Within one year	2,656	10,434	-	-
After one year, but not more than five years	9,147	29,040	-	-
Total expenditure commitments	11,803	39,474	-	-

(b) Finance lease commitments – Consolidated Entity as lessee

Finance leases are employed as a means of funding the acquisition of employer provided motor vehicles. Lease payments are generally fixed. Where leases have renewal or purchase options, they are exercisable at market prices. No finance lease arrangements create restrictions on other financing transactions.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

Finance leases

Analysis of finance lease commitments

Minimum lease payments

Within one year	776	870	-	-
After one year, but not more than five years	476	718	-	-
Total minimum lease payments	1,252	1,588	-	-

Less amounts representing finance charges

Within one year	(75)	(88)	-	-
After one year, but not more than five years	(16)	(51)	-	-
Total finance charges	(91)	(139)	-	-

Present value of minimum lease payments

<i>Present value of lease payments</i>				
Within one year	24	701	782	-
After one year, but not more than five years	24	460	667	-
Total present value of minimum lease payments	1,161	1,449	-	-

The Consolidated Entity has no finance lease arrangements where the Consolidated Entity is the lessor.

Notes to the Financial Statements

For the year ended 30 June 2009

30. COMMITMENTS (continued)

(c) Operating lease commitments – Consolidated Entity as lessee

Operating leases include property, display homes, computer equipment leases and leases for motor vehicles provided under novated leases. Certain property leases include inflation escalation and market review clauses. No renewal or purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Operating leases				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:				
Within one year	4,399	4,031	-	-
After one year, but not more than five years	7,576	6,044	-	-
Total operating leases	11,975	10,075	-	-
<i>Represented by:</i>				
Non-cancellable operating leases	9,768	7,661	-	-
Cancellable operating leases	2,207	2,414	-	-
Total operating leases	11,975	10,075	-	-

(d) Operating lease commitments – Consolidated Entity as lessor

Operating leases include property leases which have remaining terms between 1 and 12 months. All property leases include inflation escalation and market review clauses.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2009 are as follows:

Operating leases				
Commitments in relation to leases contracted for at the reporting date but not recognised as assets:				
Within one year	53	4	-	-
Total operating leases	53	4	-	-
<i>Represented by:</i>				
Non-cancellable operating leases	53	4	-	-

Notes to the Financial Statements

For the year ended 30 June 2009

31. CONTINGENCIES

Unsecured

Cross guarantees

The Parent Entity has entered into deeds of cross guarantee in respect of the debts of certain of its controlled entities as described in note 19.

Banking facilities

The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee the obligations of those entities in relation to the banking facilities. Details of these entities are set out in note 19.

Legal issues

From time to time a controlled entity defends actions served on it in respect of rectification of building faults and other issues. It is not practicable to estimate the amount, if any, which the entity could be liable for in this respect. The Directors anticipate that the resolution of any such matters currently outstanding will not have a material effect on the Consolidated Entity's results.

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 2009, amounted to \$29,393,000 (2008: \$34,709,000). 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 2009, amounted to \$968,000 (2008: \$4,273,000). No liability is expected to arise.

Notes to the Financial Statements

For the year ended 30 June 2009

32. EVENTS AFTER THE BALANCE SHEET DATE

Other than funding matters detailed in note 24(a) and 24(c), no matter or circumstance has arisen since 30 June 2009 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.

33. RELATED PARTY DISCLOSURES

(a) *Ultimate parent*

AVJennings Limited is the ultimate Australian Parent Entity. SC Global Developments Limited is the ultimate Parent Entity.

(b) *Share and share option transactions with Directors and Director-related entities*

The aggregate number of shares and options held at the reporting date either directly or indirectly or beneficially by the Directors or by an entity related to those Directors of AVJennings Limited are as follows:

	Owned by Directors directly, or indirectly or beneficially		Otherwise owned in which the Director was deemed to have an interest	
	2009 Number	2008 Number	2009 Number	2008 Number
Fully paid ordinary shares	137,669,557	131,354,566	137,669,557	131,354,566

Directors and Director-related entities received normal dividends on these ordinary shares.

(c) *Entity with significant influence over AVJennings Limited*

137,370,023 ordinary shares equating to 50.03% of the total ordinary shares on issue (2008: 130,481,150 & 48.94% respectively) were held by SC Global Developments Limited and its associates in the Parent Entity at 30 June 2009. Certain Directors of SC Global Developments Limited are also Directors of AVJennings Limited. Details of Directors' interests in the shares of the Parent Entity are set out in the *Directors' Report*.

Notes to the Financial Statements

For the year ended 30 June 2009

33. RELATED PARTY DISCLOSURES (continued)

(d) Parent Entity amounts receivable from and payable to controlled entities

	Parent	
	2009	2008
	\$'000	\$'000
Current receivables due from subsidiary companies	31,382	31,382
Current payables due to subsidiary companies	18,811	22,831

At 30 June 2009, the Parent Entity has not set up any provisions against debts owed by related parties as recoverability is considered probable (2008: \$NIL). An impairment assessment is undertaken each financial year-end to determine whether there is objective evidence that a related party receivable is impaired. If evidence of impairment exists, the impairment loss is recognised immediately.

(e) Transactions with related parties:

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Consultancy fees paid	(i)	600,000	600,000	-	-
Reimbursement of sundry expenses	(ii)	58,615	50,966	-	-
Debt forgiven	(iii)	-	-	6,000,000	7,000,000
Value of shares issued pursuant to DRP	(iv)	2,627,091	2,884,929	2,627,091	2,884,929
Value of shares issued pursuant to Rights Issue	(v)	-	21,879,577	-	21,879,577

(i) Consultancy fees paid to SC Global Developments Limited at \$50,000 per month (2008: \$50,000 per month).

(ii) Overseas airfares reimbursed for Herman Hochstadt and Bobby Chin to attend Board meetings in Australia, and domestic accommodation and travel costs reimbursed for Jerome Rowley to attend meetings.

(iii) Debt forgiven by AVJennings Properties Limited, a controlled entity.

(iv) Value of shares issued to Directors, either directly, indirectly or beneficially, pursuant to the DRP.

(v) Value of shares issued to Directors, either directly, indirectly or beneficially, pursuant to the Rights Issue.

(f) Joint ventures in which related entities in the Consolidated Entity are venturers

Joint ventures in which the Consolidated Entity has an interest are set out in note 17 and 20.

(g) Terms and conditions of transactions with related parties

Transactions with related parties are made at arm's length both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free, at call and settlement occurs in cash.

Notes to the Financial Statements

For the year ended 30 June 2009

34. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

Total expenses arising from share-based payment transactions were recognised by AVJennings Properties Limited. The amount recognised as part of employee benefit expenses is shown in the table below:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Expense arising from equity-settled share-based payment transactions	21	-	-	-
Expense arising from cash-settled share-based payment transactions	-	-	-	-
Total expense arising from share-based payment transactions	21	-	-	-

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2009.

(b) Type of share-based payment plan

AVJ Deferred Employee share plan

Share-based compensation benefits are provided to the Chief Executive Officer via the AVJ Deferred Employee Share Plan. The cost of these equity-settled transactions is measured at the fair value of the shares at the grant date. The market value at the grant date is taken to be the fair value. The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

During the financial year ended 30 June 2009, the Chief Executive Officer has been granted 1 million shares in AVJennings Limited which will vest equally on the first, second and third anniversary of his appointment. The grant date is 7 March 2009 and the first vesting date 20 February 2010. The sole criterion is the continuity of employment over the 3 years. These shares are currently held by the AVJ Deferred Employee Share Plan Trust.

Directors' Declaration

In accordance with a resolution of the Directors of AVJennings Limited, we state that:

- 1) In the opinion of the Directors:
 - i) the Financial Statements and Notes of the Company and the Consolidated Entity are in accordance with the *Corporations Act 2001*, including;
 - a) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - b) complying with Accounting Standards and *Corporations Regulations 2001*; and
 - ii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) This declaration has been made after receiving declarations required to be made to the Directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2009.
- 3) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Consolidated Entity identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Simon Cheong
Director
28 September 2009



Peter Summers
Director

Independent auditor's report to the members of AVJennings Limited

Report on the Financial Report

We have audited the accompanying financial report of AVJennings Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

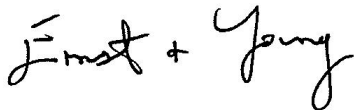
1. the financial report of AVJennings Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of AVJennings Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report


We have audited the Remuneration Report included on pages 12 to 19 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of AVJennings Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'D. Simmonds'.

David Simmonds
Partner
Sydney
28 September 2009

Corporate Governance Statement

For the year ended 30 June 2009

This Corporate Governance Statement indicates the Company's conformance with the Australian Securities Exchange's ("ASX") Corporate Governance Council's, "Corporate Governance Principles and Recommendations" (2nd Edition: 2007), as required by the ASX Listing Rules.

The AVJennings Corporate Governance Statement is structured with reference to the ASX recommendations. Areas of non compliance will be disclosed under the relevant principle. All corporate practices within this report were in place for the entire year unless otherwise indicated. This Statement refers to documents that support the Company's Corporate Governance framework and it is posted in the Corporate Governance section on the Company's website: www.avjennings.com.au.

Principle 1:

Lay solid foundations for management and oversight by the Board

Recommendation 1.1 of the ASX Corporate Governance Principles requires the Company to establish and disclose the functions reserved for the Board and those delegated to management. The roles and responsibilities of the Company's Board, Board Committees and senior management have been established through Board approved Charters, which have been operational throughout the period and are disclosed on the Company's website at www.avjennings.com.au.

All persons who are invited and agree to act as a Director of the Company do so by a formal letter of consent.

To assist it in carrying out its responsibilities, the Board has established several standing Board Committees of its members. Director appointments to Board Committees are by formal resolutions of the Board. The Chairman of each Committee reports on any matters of substance at the next full Board Meeting. Membership of Board Committees and attendance at Board and Committee meetings is tabulated in the *Director's Report* section of this report.

The Board Committees are:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investments Committee
- Risk Management Committee

The roles and responsibilities of the Chief Executive Officer and senior management are established through key performance objectives. They are assessed against those objectives on an annual basis, or more frequently if that is indicated. During the period the Nominations Committee has reviewed the performance of Board members.

The Remuneration Committee monitors the performance of the Chief Executive Officer. It also monitors the performance of the Chief Financial Officer and the Company Secretary in consultation with the Chief Executive Officer. The Chief Executive Officer assesses the performance of senior management and these assessments are reviewed by the Remuneration Committee. The process for evaluating the performance of senior executives is set out in the Remuneration Report section of the Company's Annual Report.

The Board has also approved financial delegations and personnel delegations which cover specific areas of delegated responsibility to the Managing Director and senior management.

During the period, the Board has considered broad Corporate Governance matters, including the continuing relevance of existing committees and its own performance and reaffirmed its belief that the Committee structures provided sound oversight of Management, by the Board.

Principle 2:
Structure the Board to add value

Directors

The Board determines its size and composition, subject to its Constitution and Section 201A of the *Corporations Act 2001* which stipulates that a public company must have at least three Directors.

The Board has adopted guidelines concerning its composition. For the time being, the Board has determined that there shall be at least five Directors, increasing where additional expertise is required. The current Directors of the Company are listed in the *Directors' Report* of the Company's Annual Report with a brief description of their qualifications, experience, special responsibilities and status as Executive, Non-Executive or Independent Director.

The Board includes both Executive and Non-Executive Directors with a majority of Non-Executive Directors. The Non-Executive Directors include both independent and non-independent Directors. There is a strong element of independence on the Board, with four of the six Non-Executive Directors being independent, determined in accordance with the ASX guidelines on independence. The other two Non-Executive Directors, who represent SC Global Developments Limited, a substantial shareholder, have no involvement in the operational management of the Company. The Managing Director is an Executive Director.

The Chairman of the Board is selected by the full Board. The current Chairman of the Board, Mr Simon Cheong, is also Chairman of the Board of a substantial shareholder, SC Global Developments Limited. Although there is no lead Independent Director as recommended by the ASX Principles, the Deputy Chairman, Mr Jerome Rowley, is an Independent Director. The roles of the Chairperson and Chief Executive Officer are exercised by different individuals.

The Board meets at least four times a year and the meetings occur over a number of days. Meeting venues are planned to enable Directors to familiarise themselves with major development projects. A formal agenda is in place for each meeting.

New Directors are inducted individually on the Company's financial, strategic, operational and risk management positions. Directors have access to Company records and information through the Company Secretary and other relevant senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time.

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required but this may not be unreasonably withheld. Any advice obtained is made available to the Chairman.

Nominations Committee

The Board has a Nominations Committee, comprising three Independent Directors, Mr H Hochstadt, Mr B Chin and Mr B Hayman and two Non-Executive Directors, Mr S Cheong and Mrs E Sam, who is also Chairperson of the Committee.

The Nominations Committee Charter sets out its role, responsibilities, composition, structure, membership requirements and guidelines and is posted on the Corporate Governance section of the Company's website. The purpose of the Committee is to consider the performance of Directors and the appointment of new Directors. The Committee may make use of external consultants if that is deemed appropriate. The Committee meets at least annually.

Company Secretary

The Board appoints the Company Secretary and all Directors have access to the Company Secretary. Details of the Company Secretary's experience and qualifications are set out in this Report.

The role of the Company Secretary is to support the effectiveness of the Board by monitoring and advising the Board on its Corporate Governance responsibilities by means of its charters, procedures and updates on legislation and regulation. The Company Secretary is also responsible for lodgements with relevant regulators, management of dividend payments and/or Dividend Reinvestment Plan allotments and management of the relationship between shareholders and the share registry.

Principle 3:
Promote ethical and responsible decision making

Code of Conduct

The Company has a Code of Conduct which sets out the behaviour required of all Board members, senior management, employees and contractors throughout the period. The content of the Code is integrated into management practices and forms part of the terms of employment of all Company employees. The Code, which is disclosed on the Company's website, provides a mechanism to employees to report breaches of the Code without fear of retribution. Senior management deals with breaches of the Code and monitors compliance. The Company Secretary and the Chief Executive Officer report to the Board and the Audit Committee on various aspects of Code Compliance.

Dealing in AVJennings' shares

The Code places restrictions on the ability of Directors, officers and employees to trade in the Company's shares during specified restricted "black out" periods. The restrictions are designed to minimise the risk of actual or perceived insider trading.

Principle 4:
Safeguard integrity in financial reporting

Audit Committee

The Company has an Audit Committee comprising of two Independent Directors, Mr B Chin (who is a Chartered Accountant and is also the Chairman of the Committee), Mr H Hochstadt, and one Non-Executive Director, Mrs E Sam. The Chairman of the Committee is a different individual to the Chairman of the Board. The Audit Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Corporate Governance section of Company's website.

All other members of the Board are invited to attend Audit Committee meetings as observers and in a non voting capacity. In the past year, all Board members have attended all Audit Committee meetings. The Audit Committee papers, including the minutes of the previous Committee Meetings, are sent to all Board members.

The Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Auditor and the External Auditor attend Audit Committee meetings at the discretion of the Committee. The Committee also meets privately with the External Auditor at least once a year and usually twice per year, without management being present. In addition, the Internal Auditor reports directly to the Audit Committee and the Committee meets privately with the Internal Auditor as least once per year.

The Minutes of each Committee meeting are circulated after the meeting and the signed minutes tabled at the subsequent meeting of the Committee. The Chairman of the Committee is available to report on or answer questions about the Committee's conclusions and recommendations to the Board. The Committee meets at least four times during the year.

Audit Governance

The Company has a policy on the provision of auditing and related services. The Committee is satisfied on the level of independence of the External Auditor.

During the reporting period, the Company had its 2008 Annual Report and Audit Committee Charter posted on its website. The Annual Report has details of the Audit Committee's membership and the number of meetings held and attended.

Financial Reporting

The Board receives regular reports about the financial condition and operational results of the Company throughout the year. In relation to the half year and annual Financial Statements, all Key Management Personnel are required to sign off on the systems and processes within their area of responsibility. This procedure supports the Managing Director and Chief Financial Officer in their certification to the Board in effect stating that the Company's accounts present a true and fair view, in all material aspects, of the Company's financial condition and operational results and accord with the relevant accounting standards.

Principle 5:
Make timely and balanced disclosure

A continuous disclosure regime operates throughout the Group. Policies and Procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX and Singapore (SGX) Stock Exchange in a timely manner. These policies and procedures have been formally communicated to all relevant staff. The Company Secretary is the nominated Continuous Disclosure Officer. The Board is advised of any notifiable events. The Board approves, or is advised of, all releases that are made to the ASX and the SGX. All announcements made by the Company are posted on the Company's website in the "Shareholder" section.

Principle 6:
Respect the rights of Shareholders

The Company endeavours to keep its Shareholders fully informed of matters likely to be of interest to them. It does this through:

- Reports to the ASX, SGX and the press;
- Half and full year profit announcements;
- Annual Reports;
- Investor briefings and information provided to analysts, (which are released to the ASX and SGX prior to being provided to the analysts);
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules and notification of the same information to the SGX; and
- Posting all the above and any other notifications made by the Company to Shareholders, on its website.

The Company's website – www.avjennings.com.au has a section titled "Shareholders" with sub sections on:

- Company's previous Annual Financial Reports and Half Yearly Reports;
- The Company's share price on the ASX- provided by a link to the ASX web site;
- Announcements made to the ASX and SGX;
- Copies of investor presentations;
- Corporate Governance Charters and Policies including a Shareholder Communication Policy;
- Terms and conditions of the Company's Dividend Reinvestment Plan; and
- Media releases.

At the Annual General Meeting, the Chairman encourages questions and comments from Shareholders and seeks to ensure the Meeting is managed to give the maximum number of Shareholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Chief Executive Officer or another appropriate member of senior management.

The External Auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Principle 7:
Recognise and manage risk

The Board has ultimate responsibility for the risk management, compliance and control functions across the Group. These functions are aligned with the Company's strategy and business objectives.

The Company has in place internal controls intended to identify and manage significant business risks. These include the review of development proposals and the management of their ongoing performance. Management prepares the Risk Management Plan and the Board is responsible for reviewing and approving it.

The Board has established a Risk Management Committee. The Committee comprises two Independent Directors and meets quarterly, or more frequently as circumstances require. The Committee is supported by the Chief Executive Officer, Chief Financial Officer and the Company Secretary. The Risk Management Committee is responsible for monitoring management's implementation of the Risk Management Plan, taking the Internal Auditor's review into account.

The Company's assets are insured under a comprehensive insurance program which is reviewed annually.

The Company also has an Investments Committee comprising one Non-Executive Director, Mr S Cheong, two Independent Directors, Mr B Hayman and Mr J Rowley and one Non-Director member, Mr David Tsang. The Committee considers all major land development acquisition and disposal proposals that are over monetary limits delegated to management. It also conducts a pre-commencement review and ongoing project reviews during the life of all development projects.

The Chief Executive Officer and the Chief Financial Officer have given the Board a written statement in accordance with section 295A of the *Corporations Act* to the effect that:

- The integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system, in so far as it relates to financial risk, is operating efficiently and effectively in all material respects.

Principle 8:
Remunerate fairly and responsibly

The Board has established a Remuneration Committee to review and determine, among other things, remuneration policies and packages applicable to any Executive Directors, the Company Secretary and direct reports to the CEO. It also reviews remuneration to senior managers of the Company. It also reviews the remuneration policies of the Company. The Committee meets at least annually and usually twice per year and its Charter is available on the Company's web site under the Corporate Governance Section.

The Committee consists of two Non-Executive Directors, Mrs E Sam (Chairperson) and Mr S Cheong, and two Independent Directors, Mr H Hochstadt and Mr B Hayman. The Board is of the view that the Committee, which consists entirely of Non Executive Directors, albeit without an independent majority or Chairperson, is structured appropriately to perform its functions in reviewing the remuneration of Company executives and staff.

The Committee reviews and reports to the Board on:

- Conditions of service and remuneration of the Chief Executive Officer and his direct reports;
- Performance of the Chief Executive Officer;
- Remuneration of the Chief Financial Officer and the Company Secretary;
- Remuneration policies for the Company, which include the performance review of all employees, senior management and Board members;
- Proposals for reward initiatives;
- Succession plans for senior management; and
- Other related matters as directed by the Board.

The Chief Executive Officer attends meetings of the Remuneration Committee by invitation when required to report on, and discuss, senior management performance and remuneration matters. He is excluded from Committee deliberations relating to his position.

The Committee is empowered to seek external professional advice on any matter within its terms of reference.

Senior managers of the Company receive a balance of fixed and variable (at risk) remuneration. The proportions vary at different levels within the Company, reflecting the capacity of the senior managers to influence the overall outcome of the Company's operations and returns to Shareholders. The bonuses

(if any) to executives are based on a review of individual executive performance as well as the Company's overall financial performance.

Director's fees paid to Non-Executive Directors and Independent Non-Executive Directors are determined by the Board, and are within the aggregate limits approved by Shareholders at a General Meeting. The Independent Non-Executive Directors currently receive fees paid by the Company. The Committee has available to it data on fees paid to independent directors by a wide range of Companies. The remaining two Non-Executive Directors do not receive fees, however the Company pays a consulting fee to the substantial Shareholder, SC Global Developments Limited.