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2011 Half Year ASX & Media Announcement

AVJennings Announces First Half Result – Up By 228%

Highlights

- Net Profit after Tax \$10.6 million up 228%
- Profit after Tax from Continuing Operations \$11.6 million up 75%
- 2,700 lots added to inventory; Land bank now approximately 11,500 lots
- 1.0 cent fully franked Interim Dividend declared
- Balance Sheet supports capacity for additional growth

Overview

AVJennings Limited (ASX: AVJ) today announced a solid result for the first six months of FY2011 with Net Profit after Tax of \$10.6 million, representing a 228% improvement over the prior corresponding period. The result confirms AVJennings' core strengths of Land Development and Integrated Housing with Net Profit after Tax from continuing operations of \$11.6 million, up 75% on last year.

In making the announcement, Mr Peter Summers, Chief Executive Officer, said, "This result is the second stage in building long-term sustainable shareholder value and delivering improved returns. The first stage was heavily focussed on capital management following changed debt market conditions flowing out of the Global Financial Crisis, and addressing the loss making Contract Building operation. Following the sale of the Contract Building division, the Company has been able to move more strongly into the second stage of the process, which is to increase the focus on performance of its Developments business which develops land, integrated housing and low-rise apartment projects."

"Whilst the Developments segment has performed consistently for a number of years, including during the Global Financial Crisis, returns need to lift. In part, this will come from improved systems and cost structures, but a significant component will come from replenishing the land bank with inventory through acquisitions that adequately allow for higher government taxes and charges and increased planning and approval times that have occurred in recent years."

The 2011 half year result still carries close to \$1 million (after tax) in losses from Contract Building which were incurred either as trading losses prior to the sale to Sekisui House Australia on 2 August 2010, or as a result of the sale. From the date of sale, the Company is entitled to receive royalties under the 3 year trademark licence agreement which will have a positive impact on the Company's result over that time.

Revenues from continuing operations were lower at \$100.2 million compared to the previous corresponding period of \$137.4 million. The previous year included significant revenues from the successful Verve apartment project at Erskineville, Sydney. However, the reduced first half revenues also reflect that the current financial year's development and sales program is weighted more to the second half.

Dividends

Reflecting confidence in the underlying fundamentals of Australia's new housing sector and the Company's performance, the Board has declared a fully franked interim dividend of 1.0 cent per share. This will be the first interim dividend paid since January 2006.

Land Acquisitions

In line with the stated aim of growing its development property inventory, AVJennings announced in December 2010 the addition of 4 new projects totalling 2,700 lots. These additions bring AVJennings' land bank to approximately 11,500 lots and are in line with its objective of having a land bank representing 5 years of property sales.

Economic conditions in the last few years have created a number of good buying opportunities, enabling the Company to commence the process of growing its inventory. However, the Company continues to rigorously apply its internal acquisition criteria.

The four additional projects are:

- **Cobbitty, New South Wales: 469 lots**
This site is located in Sydney's south-west – a significant growth corridor. The 43 hectares are already zoned residential.
- **Coomera, Queensland: 318 lots**
This land is situated in an area where there is limited supply of land and strongly aligns the AVJennings brand with potential customers.
- **Elysium, Queensland: 158 lots and 16 nearly completed dwellings**
This project offers AVJennings the opportunity to develop a mix of product to meet the needs of the broader market in the Noosa region.
- **Penfield, South Australia: 1,750 lots**
This development will be done in conjunction with the Land Management Corporation – a South Australian Government body. The transaction is structured to ensure the SA Government's vision for growth for the region is met as well as provide good commercial outcomes for the Company.

Balance Sheet

Despite the increase in the Company's inventory resulting from the recent acquisitions, net debt levels, including the Company's proportionate share of associated entity debt, have remained steady at approximately \$71.0 million. On this basis, this equates to a debt to equity ratio of 23.6% and debt to total assets of 14.3%. Net debt on balance sheet reduced by 21.3% from 30 June 2010 to \$45.6 million. The result for the first half of 2011 was aided by cash flow from settlements, and the receipt of approximately \$21.3 million from the sale of the Contract Building Division.

Outlook

The Company's development and sales program is typically weighted more to the second half. None of the Company's projects were directly affected by the recent floods throughout many areas in Australia. However, the wet weather during the latter part of 2010 did have some impact on the first half result and on construction schedules for the 2011 financial year.

Nevertheless, the growing gap between the under-supply of housing relative to demand continues to provide a strong long term outlook. Additionally, the Company's focus on strategies that deliver high quality housing solutions that are affordable is the key to its ability to drive shareholder value.

Peter Summers
Chief Executive Officer

For further information

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