AVJennings Limited
ABN: 44 004 327 771

31 December 2014 Half-Year Report
Appendix 4D

This Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by AVJennings Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

Contents

Results for Announcement to the Market

Appendix 4D for the half-year ended 31 December 2014

	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000	Increase $'000	%
Revenues	118,521	104,271	14,250	13.7%
Profit after tax	11,869	8,353	3,516	42.1%
Net profit attributable to members	11,869	8,353	3,516	42.1%

Dividends	Cents per security	Franked amount per security at 30% tax
Current period		
Interim dividend	1.0	1.0
Total dividend	**1.0**	**1.0**
Previous period		
Interim dividend	NIL	NIL
Total dividend	**NIL**	**NIL**

Record date for determining entitlements to dividend:	25 March 2015
Payment date:	8 April 2015

The Company's Dividend Re-Investment Plan remains suspended.

Explanation of results

The Review of Operations in the attached Directors' Report provides an explanation of the results.

Directors' Report

For the half-year ended 31 December 2014

Your Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2014.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this Report are as below. Directors were in office for the entire period unless otherwise stated.

S Cheong (Chairman)
RJ Rowley (Deputy Chairman)
PK Summers
E Sam
B Chin
BG Hayman
TP Lai
D Tsang

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the period was Residential Development.

REVIEW OF OPERATIONS

The Company's profit before tax was $16.8 million (after tax $11.9m) for the half year ended 31 December 2014, an increase on the same period last year of 34.9% (after tax 42.1%). This strong result was achieved on increased revenue of $118.5 million, up 13.7% on the corresponding period.

Increased production levels in previous periods, based on improving market conditions, were the catalyst for the strong first half results. This trend has continued in the six months to 31 December 2014, with work in progress levels up a further 21.8% from 30 June 2014. This is the 5th consecutive half year of growth in production levels and reflects the Company's confidence in market conditions.

The level of contracts signed in the first half will underpin settlements in the second noting that, as in prior periods, the Company's results are biased towards the second half due to production staging and seasonality. The Directors believe that it is appropriate to provide guidance of contract signings for the year ending 30 June 2015 in the range of 1,700 to 1,900 lots; previously 1,500 to 1,700 lots.

Good cash generation in the first half and significant confidence in the outlook for the second half has enabled the Directors to declare that a fully franked interim dividend of 1 cent per share be paid in April 2015.

Consumer confidence is high in New South Wales; Sydney remains the strongest market in the country. Production is now well underway on the significant 'Arcadian Hills', Cobbitty project and on the Company's newest joint venture estate 'Argyle at Elderslie' that is being undertaken with Investa. Physical works and sales have commenced at Hamlyn Terrace on the Central Coast. All of these projects are expected to be important contributors to profit in fiscal 2015.

Directors' Report

For the half-year ended 31 December 2014

REVIEW OF OPERATIONS (continued)

Demand in Brisbane continues to rise with positive knock-on to the Noosa, Caloundra and Coomera markets, which are now also firmly in recovery. Sales and margins have lifted considerably at the 'Elysium', Noosa project over the past year and management expects the Company will sell the last lots and complete the project altogether in the coming months. 'Creekwood', Caloundra continues to perform strongly, with demand buoyed by new infrastructure investment (including a major new general hospital) in the Sunshine Coast catchment, and new stages will be released during the second half. Sales activity at 'Big Sky', Coomera continues to lift and this estate will be the site of a major brand development initiative with the construction of a new Steve Waugh Foundation home commencing before June 2015.

The Melbourne residential land market remains stable, with the Company generally experiencing good demand on its projects in the east and north-east of the city. 'Arena' at Officer is expected to be largely sold out by mid-year, while the new 'Hazelcroft' estate in Doreen will also host the development of a Steve Waugh Foundation home. The Company's project in Lyndarum is experiencing strong sales and more land will be released there in the second half.

The South Australian residential market remains stable but subdued overall, with the now wholly owned 'St Clair' project contributing improved earnings during the half.

Auckland is a strong market and the Company's high quality, master-planned Hobsonville Point joint venture project is experiencing significant demand, with 193 builder sales to be revenue-recognised during the second half, 130 of which are from the recently acquired 'Catalina Precinct'.

The Company expanded its involvement in Perth, Western Australia during the half, committing additional equity to take a 33% stake in three new projects yielding 196 lots. All are located within the urban ring of the city. The Company's investment in Perth is significant enough to renew the presence of the brand in the public consciousness whilst being a small component of the Company's total net funds employed.

Lots under development continued to grow reaching 1,539 (1,264 lots as at 30 June 2014 and 974 lots as at 31 December 2013) and this is a key indicator of future positive performance. The level of completed unsold stock remains stable and low.

The Company controlled 9,418 lots at balance date. Strong cash generation from a combination of rising production, sales and settlements from a portfolio of relatively mature projects coupled with the realisation of new funding initiatives will facilitate prudent stock replenishment. In addition to the new investment in Perth, the Company successfully acquired the remaining 50% of the St Clair, South Australia joint venture and contracted to purchase two new land parcels at Cobbitty, New South Wales comprising approximately 227 lots.

Market fundamentals remain positive, with strong consumer confidence to transact in housing bolstered by low interest rates and inflation, underlying housing shortages in some markets (especially Sydney and Auckland), strong population growth and a stable domestic macroeconomic outlook over 2015-2016.

The Company is delivering on its commitment to diversify and expand its sources of debt capital. It has recently concluded the renegotiation of its Club banking facility. The facility extends the amount of funding available to the Company to $175 million as well as the term of the facility to 30 September 2017. The facility is evergreen in nature and, subject to approval, is extendable for 12 months at each annual review. The new facility provides an excellent platform to support the Company's expansion strategy.

Directors' Report

For the half-year ended 31 December 2014

REVIEW OF OPERATIONS (continued)

The Company remains confident that market fundamentals support a continuation of its growth strategy, both in terms of continued increased production levels from existing projects as well as through new acquisitions.

DIVIDENDS

A final dividend of 2.0 cents per share was paid on 18 September 2014 (31 December 2013: nil). Subsequent to the end of the half year, the Directors have recommended a fully franked interim dividend of 1.0 cent per share to be paid on 8 April 2015. The Dividend Reinvestment Plan remains suspended.

COMPARATIVE FIGURES

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity has concluded the renegotiation of its Club banking facility. The facility extends the amount of funding available to $175 million as well as the term of the facility to 30 September 2017. The facility is evergreen and, subject to approval, is extendable for 12 months at each annual review. The fact that the facility was not formally extended on or before the balance date requires that drawings under it be treated as a current liability in the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2014 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.

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 98/100.The Company is an entity to which the Class Order applies.

Directors' Report

For the half-year ended 31 December 2014

AUDITORS INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young. It is set out on page 8.

The Report is made in accordance with a resolution of the Directors.

Peter Summers
Director
9 February 2015

Ernst & Young
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Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of AVJennings Limited

In relation to our review of the financial report of AVJennings Limited for the half-year ended 31 December 2014, 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

Ernst & Young

Mark Conroy

Mark Conroy
Partner
9 February 2015

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2014

	Note	31 December 2014 $'000	31 December 2013 $'000
Revenues	3	118,521	104,271
Share of profits of associates and joint ventures accounted for using the equity method	11	1,501	1,161
Cost of property developments sold	3	(86,691)	(80,810)
Decrease in provision for loss on inventories	3	3,720	5,154
Other operational expenses		(2,464)	(2,287)
Selling and marketing expenses		(3,491)	(3,135)
Employee expenses		(9,279)	(8,153)
Depreciation and amortisation expense		(149)	(176)
Finance costs	3	(217)	(296)
Management and administration expenses		(4,646)	(3,271)
Profit before income tax		**16,805**	**12,458**
Income tax	4	(4,936)	(4,105)
Profit after income tax		**11,869**	**8,353**
Net profit for the period		**11,869**	**8,353**
Other comprehensive income			
Foreign currency translation		374	1,778
Other comprehensive income for the period		**374**	**1,778**
Total comprehensive income for the period		**12,243**	**10,131**
Earnings per share for profit attributable to ordinary equity holders of the parent:		**Cents**	**Cents**
Basic earnings per share		3.12	2.20
Diluted earnings per share		3.12	2.20

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	21,580	4,796
Trade and other receivables		38,118	44,557
Inventories		188,883	168,019
Other current assets		1,473	1,387
Total current assets		**250,054**	**218,759**
NON-CURRENT ASSETS			
Trade and other receivables		-	6,159
Inventories		237,654	212,804
Investments accounted for using the equity method		13,608	27,108
Available-for-sale financial assets		3,000	3,000
Property, plant and equipment		573	642
Intangible assets		2,816	2,816
Total non-current assets		**257,651**	**252,529**
Total assets		**507,705**	**471,288**
CURRENT LIABILITIES			
Trade and other payables		47,023	46,823
Interest-bearing loans and borrowings	12	91,858	4,083
Tax payable		509	251
Provisions		4,233	4,706
Total current liabilities		**143,623**	**55,863**
NON-CURRENT LIABILITIES			
Trade and other payables		14,191	13,406
Interest-bearing loans and borrowings	12	20,845	81,500
Deferred tax liabilities		8,001	4,041
Provisions		781	698
Total non-current liabilities		**43,818**	**99,645**
Total liabilities		**187,441**	**155,508**
Net assets		**320,264**	**315,780**
EQUITY			
Contributed equity	6	160,436	160,436
Reserves		4,664	4,361
Retained earnings		155,164	150,983
Total equity		**320,264**	**315,780**

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

		Attributable to equity holders of the parent				Total equity
			Foreign Currency Translation Reserve	Share-based Payment Reserve		
		Contributed Equity			Retained earnings	
	Note	$'000	$'000	$'000	$'000	$'000
At 1 July 2013		**160,960**	**1,123**	**1,077**	**132,201**	**295,361**
Profit for the period		-	-	-	8,353	8,353
Other comprehensive income for the period		-	1,778	-	-	1,778
Total comprehensive income for the period		-	1,778	-	8,353	10,131
Transactions with owners in their capacity as owners						
- Treasury shares acquired	6(b)	(524)	-	-	-	(524)
- Share-based payment expense reversed (forfeited shares)		-	-	(579)	-	(579)
- Share-based payment expense		-		312	-	312
		(524)	1,778	(267)	8,353	9,340
At 31 December 2013		**160,436**	**2,901**	**810**	**140,554**	**304,701**
At 1 July 2014		**160,436**	**3,188**	**1,173**	**150,983**	**315,780**
Profit for the period		-	-	-	11,869	11,869
Other comprehensive income for the period		-	374	-	-	374
Total comprehensive income for the period		-	374	-	11,869	12,243
Transactions with owners in their capacity as owners						
- Share-based payment expense reversed (forfeited shares)		-	-	(326)	-	(326)
- Share-based payment expense		-	-	255	-	255
- Dividends paid	5	-	-	-	(7,688)	(7,688)
		-	374	(71)	4,181	4,484
At 31 December 2014		**160,436**	**3,562**	**1,102**	**155,164**	**320,264**

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	Note	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		142,733	110,009
Payments to suppliers, land vendors and employees		(155,171)	(130,881)
Interest paid		(4,984)	(4,590)
Income tax paid		(627)	(969)
Net cash used in operating activities		**(18,049)**	**(26,431)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		5	68
Purchase of property, plant and equipment		(88)	(47)
Interest received		217	297
Distribution received		15,000	-
Net cash from investing activities		**15,134**	**318**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		68,254	67,491
Repayment of borrowings		(41,134)	(45,827)
Payment for treasury shares	6(b)	-	(524)
Equity dividends paid	5	(7,688)	-
Net cash from financing activities		**19,432**	**21,140**
NET INCREASE/(DECREASE) IN CASH HELD		**16,517**	**(4,973)**
Cash and cash equivalents at beginning of period		4,796	11,649
Effects of exchange rate changes on cash and cash equivalents		267	576
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	**21,580**	**7,252**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 9 February 2015. The Company is incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange and the Singapore Exchange through SGX Globalquote.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-year general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 Interim Financial Reporting and other mandatory professional requirements and the Company is a for profit entity.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2014 and considered together with any public announcements made by AVJennings Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

This Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. The accounting policies adopted are consistent with those of the previous financial year.

None of the new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

3. REVENUES AND EXPENSES

Profit from ordinary activities before income tax includes the following revenues and expenses:

	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000
Revenues		
Developments	112,154	101,210
Interest revenue	217	297
Management fees	4,874	1,530
Royalty revenue	-	399
Sundry revenue	1,276	835
Total revenues	**118,521**	**104,271**
Cost of property developments sold		
Amortisation of finance costs capitalised to inventories	**4,348**	**5,675**
Finance costs		
Bank loans and overdrafts	4,984	4,590
Less: Amount capitalised to inventories	(4,767)	(4,294)
Finance costs expensed	**217**	**296**
Impairment of assets		
Decrease in provision for loss on inventories	**(3,720)**	**(5,154)**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

4. INCOME TAX

	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000
Income tax		
The major components of income tax are:		
Current income tax		
Current income tax charge	1,025	974
Deferred income tax		
Current year temporary differences	3,911	2,934
Adjustment for prior year	-	197
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**4,936**	**4,105**

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

	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000
Accounting profit before income tax	**16,805**	**12,458**
Tax at Australian income tax rate of 30% (2013 - 30%)	5,041	3,737
Adjustment for prior years	-	197
Equity accounted share of Joint Venture profits	(450)	(348)
Other non-deductible items and variations	345	519
Aggregate income tax	**4,936**	**4,105**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

5. DIVIDENDS

	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000
Dividends paid and recognised		
2014 final dividend of 2.0 cents per fully paid share, paid 18 September 2014. Fully franked @ 30% tax	7,688	-
Total dividends paid	**7,688**	**-**
Dividends proposed		
2015 interim dividend of 1.0 cents per fully paid share, to be paid 8 April 2015. Fully franked @ 30% tax	3,844	-
Total dividends proposed	**3,844**	**-**

The Company's Dividend Reinvestment Plan remains suspended.

6. CONTRIBUTED EQUITY

	31 December 2014 Number	30 June 2014 Number	31 December 2014 $'000	30 June 2014 $'000
Ordinary shares	384,423,851	384,423,851	162,793	162,793
Treasury shares	(3,502,401)	(4,221,605)	(2,357)	(2,357)
Share capital	**380,921,450**	**380,202,246**	**160,436**	**160,436**

(a) Movement in ordinary share capital	**Number**	**Number**	**$'000**	**$'000**
As at the beginning of the period	384,423,851	384,423,851	162,793	162,793
As at the end of the period	**384,423,851**	**384,423,851**	**162,793**	**162,793**

(b) Movement in treasury shares	**Number**	**Number**	**$'000**	**$'000**
As at the beginning of the year	(4,221,605)	(3,365,100)	(2,357)	(1,833)
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	-	(856,505)	-	(524)
Employee share scheme issue	719,204	-	-	-
As at the end of the period	**(3,502,401)**	**(4,221,605)**	**(2,357)**	**(2,357)**

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 Executives.

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 Consolidated Financial Statements

For the half-year ended 31 December 2014

7. CASH AND CASH EQUIVALENTS

	31 December 2014 $'000	30 June 2014 $'000
Reconciliation to Consolidated Statement of Cash Flows		
For the purposes of *Consolidated Statement of Cash Flows,* cash and cash equivalents comprise the following:		
Cash at bank and in hand	**21,580**	**4,796**

8. OPERATING SEGMENTS

Identification of reportable segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision makers in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the jurisdictions in which the Consolidated Entity sells its products and services. Discrete financial information about each of these operating businesses is reported on a monthly basis.

Types of products and services

The Consolidated Entity operates primarily in residential development.

Accounting policies

The accounting policies used in reporting segments are the same as those contained in the Financial Report.

Operating segments

Jurisdictions:

This includes activities relating to Land Development, Integrated Housing and Apartments Development.

Other:

This includes numerous low value items, amongst the most significant of which are interest and royalty revenue, and certain sales commissions.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

8. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments for the half-year ended 31 December 2014:

Operating segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 December		31 December		31 December		31 December		31 December		31 December		31 December	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenues														
External sales	22,521	27,684	21,958	29,538	49,294	33,638	17,677	10,144	704	206	-	-	112,154	101,210
Management fees	4,758	1,409	-	-	-	-	45	73	71	48	-	-	4,874	1,530
Other revenue	-	-	-	-	-	-	-	-	-	-	1,493	1,531	1,493	1,531
Total segment revenues	**27,279**	**29,093**	**21,958**	**29,538**	**49,294**	**33,638**	**17,722**	**10,217**	**775**	**254**	**1,493**	**1,531**	**118,521**	**104,271**
Results														
Segment results *	8,782	4,429	1,361	5,016	6,306	2,170	3,483	821	125	(230)	117	447	20,174	12,653
Movement in provision for loss on inventories	3,720	2,928	-	(182)	-	2,542	-	(134)	-	-	-	-	3,720	5,154
Other income	-	-	-	-	-	-	-	-	-	-	1,493	1,531	1,493	1,531
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	(149)	(176)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(8,216)	(6,408)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(217)	(296)
Profit before tax													16,805	12,458
Income tax													(4,936)	(4,105)
Net profit													**11,869**	**8,353**

* Segment results include utilisation of provision for write-down of inventories of $7,116,000 (31 December 2013: $6,871,000)

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

8. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments as at 31 December 2014:

Operating Segment	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 $'000	30 Jun 2014 $'000	31 Dec 2014 $'000	30 Jun 2014 $'000
Assets														
Segment assets	140,774	129,041	91,719	94,697	98,255	103,208	103,383	70,196	43,153	59,830	30,421	14,316	507,705	471,288
Total assets	**140,774**	**129,041**	**91,719**	**94,697**	**98,255**	**103,208**	**103,383**	**70,196**	**43,153**	**59,830**	**30,421**	**14,316**	**507,705**	**471,288**
Liabilities														
Segment liabilities	23,343	6,850	5,026	6,520	5,961	5,873	36,170	16,760	25,879	33,629	91,062	85,876	187,441	155,508
Total liabilities	**23,343**	**6,850**	**5,026**	**6,520**	**5,961**	**5,873**	**36,170**	**16,760**	**25,879**	**33,629**	**91,062**	**85,876**	**187,441**	**155,508**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

9. NET TANGIBLE ASSET BACKING

	31 December 2014 cents	30 June 2014 cents
Net Tangible Asset backing (NTA) - cents per ordinary security	83.3	82.3

Ordinary shares used in the calculation of NTA as at 31 December 2014 were 380,921,450 (30 June 2014: 380,202,246). Refer to note 6 for details.

10. INTEREST IN JOINT OPERATIONS

The Consolidated Entity's interest in the profits and losses of Joint Operations is included in the *Consolidated Statement of Comprehensive Income* under the following classifications:

	6 months 31 December 2014 $'000	6 months 31 December 2013 $'000
Revenues	2,319	6,015
Cost of property developments sold	(1,663)	(4,078)
Other expenses	(481)	(723)
Profit before income tax	**175**	**1,214**
Income tax	(53)	(364)
Net profit for the period	**122**	**850**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interests in an associate or a joint venture entity are accounted for using the equity method of accounting and are carried at cost. Under the equity method, the consolidated entity's share of the results of the associate or the joint venture entity is recognised in the *Consolidated Statement of Comprehensive Income*, and the share of movements in reserves is recognised in the *Consolidated Statement of Financial Position*. The information is set out below:

Equity accounted Associates & Joint Ventures	**Interest held**		**Share of net profit/(loss)**	
			6 months	6 months
	31 December 2014	31 December 2013	31 December 2014 $'000	31 December 2013 $'000
Epping	10%	10%	(1)	-
Eastwood	50%	50%	1,496	1,167
Woodville	50%	50%	6	(6)
Profit after tax			**1,501**	**1,161**

12. INTEREST-BEARING LOANS AND BORROWINGS

Fair values of interest-bearing loans and borrowings are determined by using the DCF method with a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Interest-bearing loans and borrowings are classified as level 2 financial instruments. The carrying value represents the approximate fair value at reporting date.

The Consolidated Entity remains compliant with all lending covenants.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

13. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Consolidated Entity's bankers in the normal course of business to unrelated parties, at 31 December 2014, amounted to $8,781,000 (30 June 2014: $7,445,000). No material 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 31 December 2014, amounted to $867,000 (30 June 2014: $8,367,000). No material liability is expected to arise.

Unsecured

Contract performance bond facility

The Parent Entity has entered into a Deed of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to the Contract performance bond facility. Contingent liabilities in respect of certain performance bonds, granted by the Consolidated Entity's financiers, in the normal course of business as at 31 December 2014, amounted to $15,915,000 (30 June 2014: $12,140,000). No material liability is expected to arise.

14. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2014 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.

Directors' Declaration
For the half-year ended 31 December 2014

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

In the opinion of the Directors:

a) The Financial Statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at 31 December 2014 and of the performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Peter Summers
Director

9 February 2015

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To the members of AVJennings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AVJennings Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of AVJennings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AVJennings Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
9 February 2015