

18 November 2011

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Level 4, Rialto North Tower  
525 Collin Street  
Melbourne Vic 3000.

Dear Sir,

**AVJENNINGS LIMITED  
ANNUAL GENERAL MEETING**

Please find attached the Chairman's address and Managing Director's address together with accompanying slides made at the Annual General Meeting of AVJennings Limited on 18 November 2011.

Yours faithfully,



**Carl Thompson**  
Company Secretary.

**AVJennings Limited**  
**Annual General Meeting – Friday 18 November 2011**  
**Chairman's Address & Managing Director's Address**

**SIMON CHEONG, Chairman**

Good morning ladies and gentlemen and welcome to the Annual General Meeting of AVJennings Limited. My name is Simon Cheong and as Chairman of the Board and Chair of the meeting I am delighted to welcome you to this AGM. As there is a quorum present I declare this meeting open.

To start the proceedings I would like to introduce my fellow Directors. They are:

Mr Jerome Rowley – who is an independent Director and Deputy Chairman of the Board  
Mr Peter Summers – the Company's Managing Director and Chief Executive Officer  
Mr Bobby Chin – an independent Director  
Mr Bruce Hayman – an independent Director  
Mr Herman Hochstadt – an independent Director  
Mrs Elizabeth Sam – a non-executive Director

Mr Carl Thompson who is the Company Secretary is also in attendance.

Mr David Simmonds, from Ernst and Young AVJennings' Auditors is also in attendance.

Also in the audience, and I ask them to stand so that I can introduce them to you. Mark Henesey-Smith, Chief Operating Officer, Mr Stenio Orlandi, Chief Financial Officer, and Mr Peter Vlitass, State Manager Victoria.

I will begin the meeting by giving a brief overview of AVJennings performance during the year. Peter Summers will expand on this by discussing our business operations. Following Peter's address there will be a general forum for questions and comments that you may have. I will then proceed with the meeting's formal agenda as set out in the Notice of Meeting.

**FY11 - Results**

The 2011 financial year provided many challenges. The continued uncertainty of economic conditions globally has generally led to lower consumer confidence and therefore greater caution. Additionally, the wet weather experienced by most of the eastern Australian states for much of the year created difficulties in developing and completing inventory for AVJennings' operations. Despite these challenges AVJennings was able to achieve a solid result for the 2011 financial year. The Board has confidence in the long-term growth prospects.

Turning to the specifics of the results for the 2011 Financial Year, AVJennings increased its Net Profit after Tax by 34.1% to \$12.9 million. Profits from Continuing Operations were \$19.9 million

before tax an increase of 5.9% and \$14.6 million after tax. Discontinued Operations which encompasses Contract Building lost \$1.7 million after tax to 31 July 2010 being the date of the division's sale.

Revenues at \$225.8 million were lower than the 2010 result of \$471.2 million primarily due to the inclusion of only one month's revenue of \$15.5 million from Contract Building prior to its sale. Revenue from Continuing Operations also dipped, however improved business margins translated into an improved result overall.

Earnings per share from All Operations rose 34.3 % to 4.70 cents per share.

### **Dividend**

A final fully franked dividend of 1.5 cents per share was declared, bringing total dividends for the year to 2.5 cents. This dividend was paid to shareholders in mid October.

### **Balance Sheet**

An on-going focus of the Company has been capital management. During the 2011 Financial Year AVJennings grew its land base by 3,000 lots, to over 11,000 lots. Through appropriate structuring using a combination of term payments, joint ventures and development agreement structures, the Company has been able to achieve this while keeping net debt levels overall at similar levels to the previous financial year.

Importantly, the Company renewed its main banking facilities for the next 2 years on generally improved terms. We value both the support of our banking partners and the strong relationships we have developed with them over the years. We look forward to continuing to build and strengthen those relationships in the future.

### **Directors, Management and Staff**

The Board and I would like to recognize the drive and enthusiasm of Peter Summers and all the staff of AVJennings. Good results in good years are expected, solid results in a tough year take dedication, focus and commitment. They are the backbone to our long term success and creation of long-term sustainable shareholder value.

As Chairman I would also like to acknowledge the support of my fellow directors. Their active support, engagement in all of the issues and hard work has contributed to the results. I believe AVJennings investors are well served by this Board who provide the right balance of oversight of and support for the Management Team.

As Chairman, I would also like to acknowledge particularly the role of Herman Hochstadt over the past 7 years. Herman has announced that he will be retiring from the Board of AVJennings

after this AGM. Herman's insightful comments and wisdom will be missed by myself and my fellow directors. Herman, thank you again and all the best in your future endeavours.

### **Residential Property Markets**

Residential property markets are cyclical. Often the best times for acquiring new projects are the times when selling conditions are less favourable. However buying counter to the cycle requires careful capital management and strict adherence to predetermined land acquisition strategies, policies and procedures. During the year, AVJennings acquired 4 projects totalling some 3,000 lots. These projects are spread across the 4 states in which we currently operate.

Staying focused on the overarching strategic plan is essential in the current trading climate. While not blind to the challenges of the economic conditions, the Board is confident that the work it has done to build robust business systems and property analysis models will offer good protection as we develop our broad range of projects across Australia and New Zealand.

I will now call on Peter Summers for his report on AVJennings operations.

### **PETER SUMMERS, Managing Director**

Good morning and welcome.

### **Diversity is Key to AVJennings' Business Model**

AVJennings has been creating dynamic residential communities across Australia since 1932. In that time we have learnt much about what buyers want in their homes, in their streets and the essential elements of a vibrant community.

Diversity and choice of land and housing options are key to the AVJennings business model. Our objective is to plan and then develop the land to create the mix of infrastructure and community spaces to meet the varied needs of our customers. With 41 projects across 4 Australian states and New Zealand and over 11,000 lots in our project pipeline, we have the ability to meet most if not all of their needs.

Whilst providing choice to our customers, our primary focus is on the deepest sections of the market in which we operate. Across the years the AVJennings brand has come to represent quality and reliability that is within the reach of Australians.

With respect to quality and reliability, we continue to invest in research and skills in relation to innovative project and housing design. This is much more complex than some might consider as it involves not only looking at customer needs, but government regulations (which are now extremely onerous), innovations and limitations in terms of materials and skills and so on. And this needs to be done with a mind to how these factors are likely to develop over time.

Providing choice to customers is met through our land and integrated housing. Our land projects offer choice in two ways - high class communities offering amenities and providing land for building that caters to many different types of housing.

Whilst the Company sold its Contract Building division, it still retains internal building capability which is used to construct integrated housing on projects owned by the Company or in which the Company has an interest. Integrated Housing covers a multitude of product types including low-rise apartments, town houses and detached housing. The key is that the building component is an integral part of the project as opposed to Contract Building where the selection of the built form is controlled by the customer.

But the ever-increasing challenge is to do all of this and still deliver projects and housing product which is within reach of Australians. Affordability is very much part of the Australian residential landscape and will remain so for at least the foreseeable future.

### **AVJennings Leader in Affordability**

It is in the area of affordability that the Company has been an industry leader for some time. Each of the areas of land and building are critical in their own right. Good land buying and planning skills are critical. Equally, by having our own building capability we can lower costs through efficiency in the built form, better supplier negotiations, and better business processes as well as invest in design and innovation. These all contribute to reducing the costs of construction, which in turn creates better buying opportunities for our customers and better margins for our shareholders.

But the key aspect to affordability is combining the two skills. Due primarily to government policies and practices around land availability, planning regulations and charges, the cost of land has increased dramatically in recent years. Whilst housing costs have had some increases due to greater focus on energy efficiency and water usage, such increases have been relatively controlled and even offset by innovation in building products and techniques.

It is the cost of land that has primarily driven affordability issues in Australia. Hence, to tackle affordability it is critical that the efficient usage of land be a priority. There has been much made of smaller lot sizes in recent years and this is certainly true and has been a focus of the Company for some time. But efficient doesn't always mean small or smaller. By looking at the whole aspects of a project from individual lots to common areas, efficiency can be delivered.

This is much easier to control in terms of vision, quality and value if the land and building outcomes are integrated. This is a key platform in the Company's strategy. Integrated housing is not a new skill for AVJennings. It has been a central part of how we have built houses for most of the last 79 years.

Integrated housing will be an increasing focus of operations in the coming months and years. Whilst it is more capital intensive and will require increased debt, this actually lowers the risk to

our inventory profile in tougher market conditions. It is far easier to sell completed housing than land when times are tough.

### **Building a Stronger Company**

The sale of Contract Building and the resultant reduction of revenue base across which to amortise corporate overheads resulted in a long and sustained look at all of our business and operating processes. We have managed to make some substantial operational changes that are lowering overheads and creating better business processes which will flow through to the bottom line in due course.

Besides reductions in corporate overheads AVJennings has realised substantive economies of scale through its ability to control the built form in its projects and to maximise the use of the land available. Investing in our design and internal building capabilities allows us to build deep knowledge across all aspects of our business allowing further reduction in costs and overheads.

### **Margin Management**

The changing government environment in relation to charges and planning, resulting in significant increased costs and time, have impacted and continue to impact on margins. Whilst the rationale behind the changes is open to debate, what is generally accepted within the industry is that in many areas of Australia the extent of charges and timing delays is excessive. AVJennings was one of the first Companies to highlight this. In fact it was probably the first. The Company continues to work both directly and through industry representation to address this issue with government. The new New South Wales government seems at least willing to understand the issue, but it is imperative that this leads to a positive outcome.

That said, waiting for changes in government policy and practices, whilst vital, cannot be the basis on which the Company moves forward. The only way to address this reliably in the medium term is to acquire new projects that take into account those timing and cost structures. The recent acquisitions made by the Company are important in this respect as increased margins from these projects will eventually offset lower-margin existing projects.

### **Geographic Diversity**

Australia is a large country and whilst many of the factors impacting the residential markets, such as interest rates, are common, there are many factors which are local. The Company still operates against strategic plans in each market but the geographic spread of AVJennings' projects provides a greater diversification of risk.

As Simon mentioned in his speech, the best times for acquiring new projects are the times of greater economic uncertainty. However this does not mean just buying every bargain that is presented. Uncertainty means stronger focus on the underlying fundamentals of a project and a careful analysis of the regions fundamentals.

## **Our Brand and Our People**

As I mentioned earlier, AVJennings has been operating since 1932. It is a significant and proud heritage. Success over such a long period involves not only short term opportunities and issues but an ability to look to the long term.

The strength and importance of our brand and our people is critical to this process and two initiatives undertaken this year aim to build on this. The Company is proud to have announced recently the appointment of Steve Waugh AO as our Corporate Ambassador and the appointment of AVJennings as a corporate partner of the Steve Waugh Foundation.

Steve Waugh's personal qualities reflect the qualities we believe AVJennings espouses – dedication to a goal, positive leadership, dedication to family values, community entrepreneurship and caring for others. To that end we are certain Steve will proudly represent our brand in the community.

If we are to be an employer of choice in the residential property sector, we must invest widely in our staff. Our investment is however more than just a strong vibrant corporate culture, it is about structuring the company in a way that creates learning opportunities and avenues for staff to become leaders and better people in their own right. Steve will be working with our staff on leadership and mentoring programs to help achieve this.

As a Company whose foundations are in the creating of communities, we recognise it is also our role to lend a helping hand where we can. We enthusiastically encourage our staff to take an active role in volunteering and supporting charitable activities and we also provide opportunities for them to do so.

In light of this, the AVJennings company-wide commitment to support the Steve Waugh Foundation which works to improve the quality of life for children living with rare diseases and their families, extends such opportunities in a significant way.

## **Current Market Conditions**

Residential property is a cyclical business in its own right. There are many short term factors that impact on these cycles and as stated earlier some are general across markets and some are specific to local market segments.

Generally speaking, the last 12 months or so has seen very difficult short term market conditions. Even stronger markets such as Victoria have deteriorated considerably in recent months.

The main issue relates to consumer confidence which is understandable when one looks at the general economic environment over the last year or so. Added to those uncertain economic

conditions, we have had the continued speculation around interest rates. Within the last 6 months alone we have gone from speculation of interest rate rises, which were so widely forecast until around June this year, to the recent interest rate cut and the speculation of further rate cuts.

It is too soon to tell whether the recent interest rate cut has had a significant positive impact. There does seem to be some sense of a little more stability in consumer confidence in recent weeks but it is coming off a very low base.

What we can say is that AVJennings as a company can't just sit back and wait for investor confidence to reappear. In the short term we are adopting appropriate strategies to address the depressed market conditions.

In the longer term, however, the fundamentals, as indicated by current and forecast supply shortfalls, are strong. We continue to formulate longer term strategies around this.

Thank you, I will now hand you back to Simon, but before I do I would like to personally thank Simon and the other Directors for their support and guidance. I would also like to thank my executive team and staff for their dedication and hard work in what has been a challenging year.

Thank you Peter I will now open the meeting up to questions before commencing the formal proceedings.

Ends.

**For Further Information:**

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# AVJennings®

2011 Annual General Meeting

A Solid Result

## Chairman's Address



**Simon Cheong**  
Chairman

**AVJennings®**

## Agenda

Welcome

Chairman's Address

Managing Director's Address

Open Forum

Formal Business

Poll Procedure

Refreshments

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## FY11 - Results

		FY11	FY10	FY11 v FY10 % Change
Net Profit after Tax	A\$m	12.9	9.6	▲ 34.1
Profit before tax from Continuing Operations	A\$m	19.9	18.8	▲ 5.9
Profit after tax from Continuing Operations	A\$m	14.6	14.2	▲ 2.5
Loss after tax from Discontinued Operations (Division sold 31 July 2010 )	A\$m	(1.7)	(4.6)	NA
Revenues	A\$m	225.8 <sup>#</sup>	471.2 <sup>*</sup>	NA
Gross Margins	%	26.1	18.4 <sup>*</sup>	▲ 7.7
Earnings per share – Continuing Operations	Cents	5.35	5.20	▲ 2.8
Earnings per share – All Operations	Cents	4.72	3.51	▲ 34.5
Dividend	Cents	2.5	1.5	

<sup>\*</sup>Restated  
<sup>#</sup>FY11 includes 1 month's revenue from Contract Building

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## Balance Sheet

		FY11	FY10	FY11 v FY10 % Change
Total number of lots (includes under management)	Lots	11,259	9,480	▲ 19
Net Debt (includes share of JV debt)	A\$m	82.3	81.4	▲ 1.1
Net Debt (Balance Sheet)	A\$m	56.9	57.9	▼ 1.7
Renewed Banking Facilities	2 years on generally improved terms			

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## Residential Property Markets

<b>Residential Market</b>	<ul style="list-style-type: none"> <li>• Cyclical</li> <li>• Challenging current trading climate</li> </ul>
<b>Strategic Vision</b>	<ul style="list-style-type: none"> <li>• Core to long term growth and shareholder value</li> <li>• Important to stay focused on strategic plan</li> <li>• Board confident in current plan and strategies</li> </ul>

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### Managing Director's Address



**Peter Summers**  
Managing Director

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### Diversity is key to AVJennings business model

<b>Long History</b>	<ul style="list-style-type: none"><li>• Building residential communities since 1932</li></ul>
<b>Meeting Buyers Needs</b>	<ul style="list-style-type: none"><li>• Understanding markets and customers</li><li>• Primarily aimed at deepest sections of the market</li><li>• Quality and reliability</li><li>• Diversified product choice<ul style="list-style-type: none"><li>- Land</li><li>- Integrated housing on AVJ projects</li></ul></li></ul>

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## AVJennings leader in affordability

### Key to maximising affordable housing product is to combine skills

<b>Land</b>	<p>Cost of land key driver in affordability</p> <ul style="list-style-type: none"> <li>• New or greatly increased government charges, policies</li> <li>• Land availability</li> <li>• Planning delays</li> </ul>
<b>Construction Costs</b>	<p>Some cost increases</p> <ul style="list-style-type: none"> <li>• Greater emphasis on energy efficiency and water usage</li> <li>• Offset by innovation in building products and techniques in part</li> </ul>
<b>Integrated Housing</b>	<ul style="list-style-type: none"> <li>• Not a new skill for AVJennings</li> <li>• Allows more efficient land use</li> <li>• Easier to sell completed housing than land only in current market</li> <li>• Lowers risk profile of inventory despite being more capital intensive</li> </ul>

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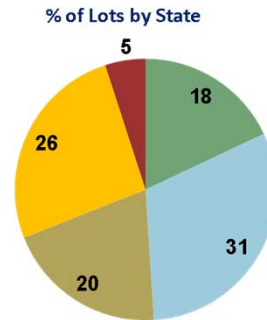
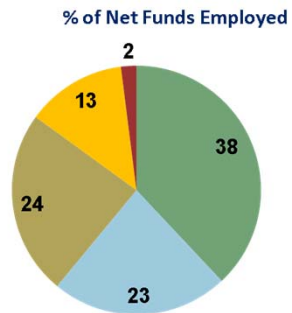
## Building a stronger company

<b>Reducing Operational Costs</b>	<p>Sale of Contract Building</p> <ul style="list-style-type: none"> <li>• Re-examine business and operating processes</li> <li>• Made substantial operational changes; Lowering overheads</li> <li>• Economies of scale for built form</li> </ul>
<b>Margin Management</b>	<p>Government policies</p> <ul style="list-style-type: none"> <li>• Significantly increased costs and time to market for projects</li> <li>• Affected margins of existing projects</li> </ul> <p>Only reliable way to address issue in the medium term</p> <ul style="list-style-type: none"> <li>• Acquire new projects with timing and cost structures factored in</li> <li>• New projects eventually offset existing lower-margin projects</li> </ul>

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### Geographic Diversity - diversification of risk

	NSW	VIC	QLD	SA	NZ	Total
Projects	11	8	12	9	1	41
No of lots (at 30 June 2011)	2,087	3,496	2,221	2,912	543	11,259



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### AVJennings: Our Brand and Our People



Steve Waugh AO

**AVJennings**

## Commitment to our staff and the community

<b>Corporate Ambassador</b>	<p>Steve Waugh AO as AVJennings first corporate ambassador Qualities match the values we as a company espouse</p> <ul style="list-style-type: none"> <li>• Dedication to a goal</li> <li>• Positive leadership</li> <li>• Family values</li> <li>• Community entrepreneurship</li> <li>• Caring for others</li> </ul>
<b>Employer of Choice</b>	<p>Invest in our staff</p> <ul style="list-style-type: none"> <li>• Create career opportunities and personal development</li> <li>• Steve to work with staff on mentoring programs</li> </ul>
<b>Community Engagement</b>	<p>Recognise our role to lend a helping hand</p> <ul style="list-style-type: none"> <li>• Corporate partner of Steve Waugh Foundation</li> </ul>



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## Market Conditions

<b>Market Conditions</b>	<ul style="list-style-type: none"> <li>• Factors not uniform across all markets</li> <li>• Last 12 months in particular were difficult</li> <li>• Stronger markets such as Victoria also deteriorated in recent months</li> </ul>
<b>Consumer Confidence</b>	<p>At low levels</p> <ul style="list-style-type: none"> <li>• Economic conditions contributing</li> <li>• Continued speculation about interest rates</li> <li>• Too soon to tell if November interest rate cut has had significant positive impact</li> </ul>
<b>Market Fundamentals</b>	<ul style="list-style-type: none"> <li>• Current and forecast supply shortfalls continue</li> <li>• Balanced approach between short term and long term</li> </ul>

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