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AVJennings Announces Solid Result for FY11

Highlights

• Net Profit after Tax up 34% to $12.9 million

• Acquisition of over 3,000 lots across 4 states creates strong base for continued growth

• Bank facilities renewed for 2 years

• 1.5 cents per share dividend, fully franked declared

Financial Results

Leading residential property developer AVJennings Limited (ASX: AVJ) increased its Net Profit after Tax by 34.1% to $12.9m for the full year to 30 June 2011. Profit from Continuing Operations was $19.9m before tax, an increase of 5.9%, and $14.6m after tax. Discontinued Operations, Contract Building, lost $1.7m after tax from 1 July to 31 July 2010, being the date of its sale.

Revenue, at $225.8m, was down from $471.2m due primarily to the inclusion of only one months revenue of $15.5m from Contract Building prior to its sale. Revenue from continuing operations was also lower, however increased margins resulted in an overall improved result.

AVJennings' Chief Executive Officer, Mr Peter Summers, commenting on the results said, "The Company has produced a solid result in what were generally difficult trading conditions. Weather remained one of the biggest hurdles to AVJennings reaching internal revenue targets. The result was also affected by continuing poor market conditions in Queensland and while New South Wales has shown some improvement, it still is a market operating at levels which are very low historically."

Dividends

The Directors announced a final dividend of 1.5 cents per share fully franked, bringing full year dividends to 2.5 cents per share, fully franked (2010: 1.5 cents). The Dividend Reinvestment Plan remains suspended.

Business Overview

Mr Summers said that "overall, the year has seen an increased profit achieved in difficult market conditions, an increase in the Company's inventory levels that support a more sustainable business, continued low debt levels and a 2 year extension of the Company's main banking facilities, and the completion of the sale of its former Contract Building division."

During the financial year, the Company acquired one or more projects in each of the Australian States in which it operates. At 30 June 2011, the total number of lots under control or management was approximately 11,300 compared to some 9,500 at the start of the year. "The increased inventory levels provide a more solid and longer term basis for the Company's operations. The projects acquired in South Australia and New South Wales, in particular, will underpin operations in those States for a significant period."

"While market conditions remain difficult in many regions, the market for acquiring land is very healthy. The Company still believes medium to long term fundamentals are solid and is therefore still actively pursuing acquisitions," Mr Summers said.

AVJennings has continued to strengthen its balance sheet maintaining the emphasis of the past three years on capital management. AVJennings is therefore well placed to grow appropriately the number of projects under control or management.

As at 30 June 2011, Net Debt, including a proportionate share of joint venture debt, was $82.3m, almost on par with the previous year, and a 57.6% reduction from 2008 when Net Debt was $194.3m.

Since year end, the Company has also renewed its main banking facilities. The facilities, which were due to expire in September 2011, have been renewed for a further 2 years on generally more favourable terms.

Mr Summers added that “the sale of the loss-making Contract Building operations has enabled the Company to focus more strongly on its core strengths of land development, integrated housing and low-rise apartment construction. However, the process also required considerable time and effort in restructuring, particularly in areas such as administration. This has all been completed during the year and the Company starts the new financial year better placed in this regard.”

"Accordingly, the Board and Management were pleased with the progress made for the year, in that the Company as a whole managed well those issues that were within its control," Mr Summers added.

Outlook

As AVJennings enters the new financial year, there are certainly challenges ahead with a softening of market conditions in most States in which the Company operates. Consumer confidence remains low and the continued focus on global economic concerns is reinforcing this.

However, there have been some signs in recent months in relation to factors that may lead to some improvement in the new residential housing sector. The significant upward pressure on interest rates that existed for much of the first 6 months of the 2011 calendar year has moderated to some extent. Furthermore, the forecast uplift in immigration levels from the previous year is expected to assist demand for housing. There have also been some more positive signs emerging in New South Wales following the recent election and change in government although any improvements are coming off a very low base.

The introduction of the carbon tax, whilst increasing the cost of housing post introduction of the tax, will provide an incentive for purchasers in the short term. The Company is well placed to capitalize on any such activity.

The recently announced $10,000 grant for new residential housing in Queensland, which commenced on 1 August 2011, will hopefully also improve activity. The Queensland market has suffered from a number of setbacks in recent times. However, it remains a traditionally strong market and is expected to return to more normal levels at some point.

“Affordability remains a factor in potential purchasers' ability to transact, despite the chronic shortage of housing in many areas. AVJennings has been a market leader in meeting the challenges of delivering high quality, affordable land and housing and will continue to focus on this area,” Mr Summers said.

Ends.

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