AVJennings

25 February 2014

ASX Announcement/Media Release
AVJennings Limited – Interim Results to 31 December 2013

Financial Results

Residential property developer AVJennings Limited (ASX: AVJ) recorded an after tax profit of $8.4 million for the first half ended 31 December 2013, a 143.6% turnaround on the previous corresponding period (31 December 2012: $19.1 million loss after tax).

The significantly improved result reflects accelerated production, sales and settlement activity.

Half year revenue of $104.3 million was almost double that of 1H13 ($52.9 million) due to the completion of inventory and continuing improvement in market conditions, particularly in New South Wales, Queensland and, to a lesser extent, Victoria.

A $5.2 million write-back in inventory provision recorded during the half is consistent with the general theme of sustained recovery in the Company's markets, which is fostering improvements in trading performance and key asset value drivers such as sales rates and prices, margins and project lifespan. Whilst market conditions are a key element, so too has been positive outcomes from the Company adapting and revising project plans and strategies.

Net Debt at balance date on a proportionate consolidation basis was $104.3 million (31 December 2012: $119.8 million). The decrease in net debt compared to the same time last year is attributable mainly to the success of an Entitlement Offer in the second half of fiscal 2013 coupled with increased cash receipts from settlements, which together outweighed the additional cash absorption associated with rising production levels and historical land acquisition payments. In the six months to 31 December 2013, funds continued to be used in the escalation of work in progress levels.

The Company remains compliant with all lending covenants and continues to progress its strategy of diversifying funding sources and reducing reliance upon the Club Facility.

The Company is managing its cash to support ongoing expansion of production in response to improved market conditions. Two major projects also commenced site works in the half year. As a consequence, Directors have determined to defer consideration of the declaration of a dividend until the full year result. Directors expect that a full year dividend will be declared.

Business Overview

Whilst the results are a significant improvement on the previous corresponding period, most pleasing was the continued increase in underlying business activity levels. Directors have previously reported on improving market conditions and the Company has responded to this with increased work in progress levels.

The following illustrates the continued rise in lots under development (both land only and built form) since the low point of June 2012:

- 667 at 30 June 11;
- 572 at 31 December 11;
- 318 at 30 June 12;
- 554 at 31 December 12;
- 715 at 30 June 13; and
- 974 at 31 December 13

New projects such as Arcadian Hills at Cobbitty, New South Wales, and Hazelcroft at Doreen, Victoria, are now underway although their contribution to profit will only commence in the second half of this financial year. Whilst work in progress levels are higher, the timing of production will see a significant bias to the second half as revenues are recognised from current work in progress being completed.

The Company's broad range of product types, covering land, integrated housing and low rise apartments, together with its geographical diversification, is providing a strong platform. In particular, the Company's continued emphasis on delivering affordable housing options continues to be a key element of its strategic plan.

During the period, the Company has increased its focus on both the brand, which remains one of the leading Australian brands, and product development. Such ongoing investment is critical to ensuring the Company's success.

In recent periods, the Company has concentrated more strongly on the development of existing projects rather than acquisitions. This will see strong cash flows from increased work in progress levels in the short term as settlements increase, which will position the Company well for new acquisitions.

Strategies are constantly reviewed at all levels, from Company wide, to project by project. Directors remain confident that the strategies adopted both reflect market conditions and promote Company objectives.

Consumer confidence in the key New South Wales and south-east Queensland markets is clearly improving. This is reflected in the improved performance of individual estates although the recovery is much more established in New South Wales at this stage. Further improvement in the Company's Queensland markets is expected in the short term. The Victorian market is now showing early, but encouraging, signs of recovery. South Australia remains stable but subdued, with sales activity at the Company's 'St Clair' and 'Eyre' estates increasing following the achievement of important milestones. The Company's Hobsonville Point joint venture project with the New Zealand Government is also experiencing significant demand, in line with much of the Auckland market.

Total lots under control stood at 9,475 at balance date. Although the Company has not purchased land since late 2010-11 and remains adequately positioned into the medium term, it is actively exploring capital-efficient methods to secure future development opportunities in specific micro-markets.

Outlook

Management expects that the improvement in the Company's markets demonstrated in the first half will continue into the second half of fiscal 2014. The Company is on track to meet or exceed its previous guidance of contract signings of between 1,200 and 1,400 lots for the financial year.

Directors' confidence is based on market fundamentals, which remain positive, with improvements in affordability, low interest rates and inflation, underlying housing shortages in some markets (especially Sydney and Auckland), positive population growth and a relatively stable macroeconomic outlook over 2014-15.

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