AVJennings Limited
ABN: 44 004 327 771

Annual Financial Report
30 June 2011

AVJennings®

Contents

Directors' Report
For the year ended 30 June 2011

Your Directors present their Report on the Consolidated Entity (referred to hereafter as "AVJennings", "Consolidated Entity" or "Group") consisting of AVJennings Limited ("Company" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

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

S Cheong	Chairman (Non-Executive)
RJ Rowley	Deputy Chairman (Non-Executive)
PK Summers	Managing Director and Chief Executive Officer
E Sam	Director (Non-Executive)
HR Hochstadt	Director (Non-Executive)
B Chin	Director (Non-Executive)
BG Hayman	Director (Non-Executive)

COMPANY SECRETARY

The names of the Company Secretaries in office during the financial year and until the date of this Report (unless otherwise stated) are as follows:

CD Thompson
PK Summers
SA Vogiatzakis

PRINCIPAL ACTIVITY

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

On 1 August 2010 the Company ceased Contract Building, other than in relation to a Home Improvements operation in South Australia.

OPERATING RESULTS

The consolidated profit after tax for the financial year was $12.9 million (2010: $9.6 million).

DIVIDENDS

Dividends paid to members during the financial year were as follows:

	2011 $'000	2010 $'000
2010 final of 1.5 cents per fully paid share, paid 30 September 2010. Fully franked @ 30% tax	4,119	-
2011 interim of 1.0 cent per fully paid share, paid 18 April 2011. Fully franked @ 30% tax	2,746	-
Total dividends paid	**6,865**	**-**

In addition to the above dividends, since the end of the financial year, the Directors have recommended a fully franked final dividend of 1.5 cents per share to be paid on 19 October 2011 (2010: 1.5 cents). The Dividend Reinvestment Plan remains suspended.

Directors' Report
For the year ended 30 June 2011

REVIEW OF OPERATIONS

Financial Results

The Company 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 month's 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.

The Company has produced a solid result in what were generally difficult trading conditions. Weather remained one of the biggest hurdles to the Company reaching its 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.

Business Overview

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.

The Company has continued to strengthen its balance sheet maintaining the emphasis of the past three years on capital management. The Company 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.

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.

REVIEW OF OPERATIONS (continued)

Outlook

As the Company 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 capitalise 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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity's main banking facilities mature on 30 September 2011. As a result, the borrowings under these facilities are shown as a current liability on the *Consolidated Statement of Financial Position* at 30 June 2011.

As mentioned in the Review of Operations, subsequent to the end of the financial year, the Company has renewed its main banking facilities for a further 2 years to 30 September 2013.

Ownership of the Contract Building Division was transferred to Sekisui House Limited effective 1 August 2010. Results for the year ended 30 June 2011 include the result of the Contract Building Division, as a discontinued operation for the month of July 2010.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Other than matters relating to the renewal of the Consolidated Entity's main banking facilities detailed in note 24(a), no matter or circumstance has arisen since 30 June 2011 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' Report
For the year ended 30 June 2011

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Future developments in the operations of the Consolidated Entity and the expected results of those operations have not been included in this Report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Consolidated Entity.

The prospects and business strategies of the Consolidated Entity are discussed on pages 4 to 5 of this Report.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Consolidated Entity's practice is to ensure that where operations are subject to environmental regulations, those obligations are identified and appropriately addressed. This includes the obtaining of approvals, consents and requisite licences from the relevant authorities and complying with their conditions.

There have been no significant known breaches of environmental regulations to which the Consolidated Entity is subject.

Directors’ Report
For the year ended 30 June 2011

INFORMATION ON THE DIRECTORS

Simon Cheong *B.Civ.Eng. MBA*
Director since 20 September 2001. Mr Cheong has over 30 years experience in real estate, banking and international finance. He currently serves as Chairman and Chief Executive Officer of SC Global Developments Limited. Mr Cheong has formerly held positions with Citibank (Singapore) as their Head of Real Estate Finance for Singapore as well as with Credit Suisse First Boston as a Director and Regional Real Estate Head for Asia (excluding Japan). In 1996, Mr Cheong established his own firm, SC Global Pte Limited, a real estate and hotel advisory and direct investment group specialising in structuring large and complex transactions worldwide. He was elected President of the prestigious Real Estate Developers’ Association of Singapore (REDAS) for 2 terms from 2007 until 2010. In April 2008, he was supported to serve on the Board of the Institute of Real Estate Studies, National University of Singapore. In August 2008, he was appointed to the Republic Polytechnic Board of Governors. He was also a Council Member of the Singapore Business Federation, a position he held from 2007 to 2010. Resident of Singapore.

Responsibilities:
Chairman of the Board, Non-Executive Director, Chairman of Investments Committee, Member of Remuneration Committee, Member of Nominations Committee.

Directorships held in other listed entities:
SC Global Developments Limited, Chairman and Chief Executive Officer, since 14 March 2000.

Jerome Rowley *SF Fin, FAICD*
Director since 22 March 2007. Mr Rowley has been a career banker since the early 1970s with Citigroup, Morgan Grenfell and ABN Amro. From 1992 until 2002, he served as Managing Director and CEO of ABN Amro Australia and Head of Relationship Management and Structured Finance for ABN Amro, Asia Pacific. He has been active in both wholesale and investment banking domestically and internationally. During his career, Mr Rowley devoted considerable effort towards the recognition, understanding and management of risk as a means of profit optimization. Of particular significance was his involvement in advising and funding including debt, equity and hybrids, of infrastructure projects in both Australia and Asia Pacific. Resident of Sydney.

Responsibilities:
Deputy Chairman of the Board, Non-Executive Director, Chairman of Risk Management Committee, Member of Audit Committee, Member of Investments Committee, Member of Nominations Committee.

Directorships held in other listed entities:
Anaeco Limited, from 15 August 2005 to 30 April 2009.

Peter K Summers *B.Ec. CA*
Director since 27 August 1998. Mr Summers is a Chartered Accountant and has been employed with the Company and its related corporations since 1984, when he joined the Jack Chia Australia Limited Group from Price Waterhouse (now PricewaterhouseCoopers). During Mr Summers’ early period with the group, he held various management and directorship roles within the group. Following the acquisition of the AVJennings residential business in September 1995, Mr Summers was appointed Chief Financial Officer, becoming Finance Director of AVJennings in August 1998. He was appointed Managing Director and Chief Executive Officer of the Company on 19 February 2009. Mr Summers has extensive experience in general and financial management as well as mergers and acquisitions. Resident of Melbourne.

Responsibilities:
Managing Director and Chief Executive Officer.

Directorships held in other listed entities:
None.

Directors' Report
For the year ended 30 June 2011

INFORMATION ON THE DIRECTORS (continued)

Elizabeth Sam *B.A. Hons (Econ)*
Director since 20 September 2001. Mrs Sam has over 40 years experience in international banking and finance. She has served on numerous high level Singaporean government financial and banking review committees and was the Chairman of the Singapore International Monetary Exchange from 1987 to1990 and 1993 to1996. Resident of Singapore.

Responsibilities:
Non-Executive Director, Chairman of Nominations Committee, Chairman of Remuneration Committee, Member of Audit Committee.

Directorships held in other listed entities:
Boardroom Limited, since 15 August 2000.
Kasikorn Bank Plc, Thailand, since 29 March 2001.
SC Global Developments Limited, since 23 July 2002.
Banyan Tree Holdings Limited, since 23 March 2004.
The Straits Trading Company Limited, since 30 April 2008.

Herman R Hochstadt *B.A. (Hons), AMP (Stanford-Insead)*
Director since 30 June 2004. Mr Hochstadt has over 40 years experience in public administration in several Singaporean government departments, including over 10 years in the Ministry of Finance and Monetary Authority of Singapore, and in business, including as Chairman of Export Credit Insurance Corporation of Singapore, the Neptune Orient Lines and APL and as a Board Director of Singapore Airlines. He was Chairman of the Singapore Turf Club and a member of the Economic Development Board, Inland Revenue Authority of Singapore, Mass Rapid Transit Corporation, Port of Singapore Authority and National Productivity Board; and served as Special Advisor to the Port & Maritime Authority of Singapore and as High Commissioner for Singapore to Botswana, Mauritius, Namibia, South Africa, Swaziland and Tanzania. Mr Hochstadt is currently Pro-Chancellor of the Nanyang Technological University. Resident of Singapore.

Responsibilities:
Non-Executive Director, Member of Nominations Committee, Member of Remuneration Committee.

Directorships held in other listed entities:
None.

INFORMATION ON THE DIRECTORS (continued)

Bobby Chin *CA (ICAEW) B.Acc.*
Director since 18 October 2005. Mr Chin is the Chairman of Singapore Totalisator Board and serves on the Boards of Competition Commission of Singapore and Singapore Labour Foundation. He is also a member of the Singapore Council of Presidential Advisers. Mr Chin served 31 years with KPMG Singapore and was its Managing Partner from 1992 until September 2005. He is a Fellow of the Institute of Certified Public Accountants in Singapore, and an Associate Member of the Institute of Chartered Accountants in England and Wales. Resident of Singapore.

Responsibilities:
Non-Executive Director, Chairman of Audit Committee.

Directorships held in other listed entities:
Oversea-Chinese Banking Corporation Limited, since 1 October 2005.
Yeo Hiap Seng Limited, since 15 May 2006.
Ho Bee Investment Limited, since 29 November 2006.
Neptune Orient Lines Limited, since 26 December 2006.
Sembcorp Industries Limited, since 1 December 2008.

Bruce G Hayman
Director since 18 October 2005. Mr Hayman has over 42 years commercial management experience with 20 of those at operational Chief Executive or General Manager Level. He is currently Chairman of Chartwell Management Services where he brings his very wide business experience to clients by way of the leadership, marketing, business performance and coaching programs he offers. He has fulfilled senior management roles both in Australia and overseas for companies such as Nicholas Pharmaceutical Group, Dairy Farm Group, Hong Kong Land and Seagram Corporation. During his time in Singapore, he held the position of Foundation President of the Singapore Australia Business Council. He has also served as CEO of the Australian Rugby Union. For his contribution to tourism in Australia, he has been recognised by Tourism Training Australia with a Platinum award. He is Chairman of the Board of The Rugby Club Ltd and is the Deputy Chairman and a Director of the Australian Diabetes Council – NSW. Resident of Sydney.

Responsibilities:
Non-Executive Director, Member of Remuneration Committee, Member of Nominations Committee, Member of Investments Committee, Member of Risk Management Committee.

Directorships held in other listed entities:
None.

INFORMATION ON COMPANY SECRETARIES

Carl D Thompson *LLB B. Comm.*
Company Secretary since 12 January 2009. Mr Thompson previously held the company secretary and general counsel role at Downer EDI Limited. Prior to that he was a partner at national law firm Corrs Chambers Westgarth, practising in corporate and commercial work. Resident of Melbourne.

Sandra A Vogiatzakis *B.A.*
Company Secretary since 9 November 2004. Mrs Vogiatzakis has been with the Company and its related corporations since 1990 and was appointed Executive Officer in April 2006. Resident of Melbourne.

Directors' Report
For the year ended 30 June 2011

REMUNERATION REPORT (Audited)

This Remuneration Report outlines the remuneration arrangements of the Company and its controlled entities in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements of Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and its controlled entities, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Entity and certain of the Executive Committee members. In addition, information relating to the five executives receiving the highest remuneration is provided.

The Remuneration Report is presented under the following sections:

1. Individual Key Management Personnel disclosures

Details of KMP including the top five remunerated executives are set out below:

(i) Directors

S Cheong	Chairman (Non-Executive)
RJ Rowley	Deputy Chairman (Non-Executive)
PK Summers	Managing Director and Chief Executive Officer
E Sam	Director (Non-Executive)
HR Hochstadt	Director (Non-Executive)
B Chin	Director (Non-Executive)
BG Hayman	Director (Non-Executive)

(ii) Executives

Executive Committee Members (KMP)

M Henesey-Smith	Chief Operating Officer
SC Orlandi	Chief Financial Officer
CD Thompson	Company Secretary/General Counsel
L Hunt	General Manager, Human Resources

Other Executives (not KMP but in top five remunerated)

P Vlitas	State Manager (Victoria)
G Marshall	State Manager (Queensland)

REMUNERATION REPORT (Audited) (continued)

2. Principles Used to Determine the Nature and Amount of Remuneration

2.1 The Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for Directors and Executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Board and Executive team. The Remuneration Committee comprises four Non-Executive Directors.

The Chief Executive Officer attends Remuneration Committee Meetings at the invitation of the Committee's Chairman.

2.2 Remuneration Strategy

AVJennings' remuneration strategy is designed to attract, motivate and retain employees and Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Consolidated Entity.

2.3 Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

2.4 Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Consolidated Entity with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to Shareholders.

The amount of aggregate remuneration sought to be approved by Shareholders and the fee structure is reviewed periodically against fees paid to Non-Executive Directors of comparable companies.

Two Non-Executive Directors, Mr S Cheong and Mrs E Sam, do not receive fees, however AVJennings pays a consulting fee to the Ultimate Parent Entity, SC Global Developments Limited.

Non-Executive Directors do not participate in any incentive programs.

The remuneration of Non-Executive Directors for the years ended 30 June 2011 and 30 June 2010 is detailed on page 16 of this Report.

REMUNERATION REPORT (Audited) (continued)

2.5. Executive Remuneration

AVJennings aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities and aligned with market practice. Targets are set for the Consolidated Entity, each business unit and individual performance, and Executives are rewarded against these.

The Chief Executive, members of the Executive Committee and other senior executives receive a mix of fixed and variable remuneration. The proportion of fixed and variable remuneration varies for different levels within the organisation based on the capacity of managers to influence the overall outcome of the Consolidated Entity's operations and returns to Shareholders.

In addition, AVJennings has in place a Long Term Incentive (LTI) scheme. The scheme structure was approved by the Board in April 2010 and allocations were made to executives in September 2010.

i) Fixed Remuneration

Fixed Remuneration is represented by Total Employment Cost (TEC) which comprises base salary, superannuation contributions and other benefits.

Executive contracts of employment do not include any guaranteed base pay increases. TEC is reviewed annually by the Remuneration Committee. The process consists of a review of the Consolidated Entity, business unit and individual performance, and relevant comparative remuneration internally and externally.

The fixed component of executive remuneration is detailed in the tables on page 17.

ii) Variable Remuneration – Short Term Incentive (STI)

A formal STI program has been developed for senior executives. The objective of the STI program is to link executive remuneration with appropriate performance targets. STI's for corporate executives are linked to corporate results as well as individual performance targets, whereas STI's for state executives are linked to business unit results as well as individual performance targets.

An STI program exists for operational management. The objective of the STI program is to link the achievement of the Consolidated Entity's operational targets with the remuneration received by the Executives charged with meeting those targets. The potential STI available is set at a level so as to provide sufficient incentive to the Executive to achieve the operational targets and such that the cost to AVJennings is reasonable in the circumstances.

Actual STI payments awarded depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators (KPIs) relating to financial outcomes (such as contribution to net profit before tax for the business unit or the business segment); business outcomes (such as efficient and effective performance of functions); and cultural factors (such as improved safety performance and leadership). These measures were chosen because they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

On an annual basis, after consideration of the performance against the KPIs, the Remuneration Committee determines the amount, if any, of the short-term incentive to be paid to each Executive. This usually occurs within two months of the reporting date. Amounts payable are delivered as a cash bonus in the following reporting period.

REMUNERATION REPORT (Audited) (continued)

2.5. Executive Remuneration (continued)

iii) Variable Remuneration – Long Term Incentive (LTI)

Share-based compensation

The AVJ Deferred Employee Share Plan (the Plan) was formed to administer the employee share scheme. The Plan operates schemes under which shares may be acquired by the Plan Trustee on behalf of employees for no cash consideration subject to certain vesting conditions being satisfied. Shares acquired under the Plan for employees are acquired on-market. Employees may elect not to participate in the scheme. Shares held by the Plan's trust and not yet allocated to employees at the end of the reporting period are shown as treasury shares in the financial statements.

Share-based compensation benefits are provided to Executives via the Plan. These equity-settled transactions are measured at fair value at the grant date. The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period and the credit taken to share-based payment reserve in equity.

Vesting subject to service condition only

The Chief Executive Officer was granted 1,000,000 shares on 7 March 2009 which vest in equal proportions on the first, second and third anniversary of his appointment. The vesting dates are 19 February 2010, 19 February 2011 and 19 February 2012. The market value of the shares at the grant date is taken to be the fair value. The service condition is the continuity of employment over the 3 years. The unvested shares are held by the AVJ Deferred Employee Share Plan Trust.

Vesting subject to both service and performance conditions

A total of 1,375,452 shares were granted on 28 September 2010 to certain executives. As detailed in the table on page 14, these include 1,136,816 shares for KMP and 97,800 shares for executives who are amongst the five highest remunerated. The remaining shares were granted to executives who were neither KMP nor amongst the five highest remunerated.

These shares are subject to both service and performance conditions and will vest to the extent that each of these conditions is satisfied.

The service vesting condition is that the employee must still be employed by AVJennings at 30 September 2013, except in the event of death or permanent disablement in which case the shares will vest to the estate. In the event that the employee is retrenched, the shares may vest subject to certain conditions.

The performance vesting conditions are:

- Total Shareholder Return (TSR) performance measured against the ASX Small Industrials Index; and
- Earnings Per Share (EPS) growth. AVJennings' EPS growth for the performance period must meet or exceed the target set. The EPS hurdle for total vesting of this grant is 10% p.a. growth for the three financial years to 30 September 2013.

Half of the allocation is assessed against each performance condition. The vesting schedule for the TSR performance condition is set out in the table on page 14. The holder of the shares is entitled to receive all dividends paid between grant and vesting date.

REMUNERATION REPORT (Audited) (continued)

2.5. Executive Remuneration (continued)

iii) Variable Remuneration – Long Term Incentive (LTI) (continued)

AVJennings' TSR rank against companies in the Index	Percentage vesting
< median	Nil
At the median	50%
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
>=75th percentile	100%

The fair value of the EPS element of the shares is the market value at grant date. The Monte Carlo Model is used to fair value the TSR element. The Model simulates AVJennings' TSR and compares it against the ASX Small Industrials Retail Index. The Model takes into account historic dividends, share price volatilities and the risk-free yield on an Australian Government Bond at the grant date matching the remaining effective life of 3 years.

	Shares Granted			Number of Shares Vested		
Name	**Year Granted**	**Number**	**Fair Value**	**Unvested at 1 July 2010**	**Vested during the year**	**Unvested at 30 June 2011**
Executive Committee Members (KMP)						
PK Summers	**2009**	1,000,000	$ 180,000	666,667	333,333	333,334
PK Summers	**2011**	691,591	$ 312,945	691,591	-	691,591
M Henesey-Smith	**2011**	158,344	$ 71,651	158,344	-	158,344
CD Thompson	**2011**	106,183	$ 48,048	106,183	-	106,183
SC Orlandi	**2011**	102,458	$ 46,362	102,458	-	102,458
L Hunt	**2011**	78,240	$ 35,404	78,240	-	78,240
Other Executives (not KMP but in top five remunerated)						
P Vlitas	**2011**	51,229	$ 23,181	51,229	-	51,229
G Marshall	**2011**	46,571	$ 21,074	46,571	-	46,571
Total		**2,234,616**	**$ 738,665**	**1,901,283**	**333,333**	**1,567,950**

AVJennings prohibits Executives from entering into arrangements to protect the value of unvested LTI awards. This prohibition includes entering into hedging arrangements in relation to AVJennings shares.

REMUNERATION REPORT (Audited) (continued)

3. Group Performance

The table below shows the Consolidated Entity's earnings performance as well as the movement in the Consolidated Entity's Earnings Per Share (EPS) and Total Shareholder Return (TSR) over the current and previous 4 years.

Financial Report Date	Financial Period	Profit / (Loss) After Tax $'000	Basic EPS Cents	TSR Cents
30 June 2007	15 months	12,164	5.50	(0.02)
30 June 2007	12 months annualised *	9,731	4.40	(0.02)
30 June 2008	12 months	11,231	4.87	(0.67)
30 June 2009	12 months	(12,724)	(4.68)	(0.34)
30 June 2010	12 months	9,616	3.51	0.21
30 June 2011	12 months	12,893	4.72	0.05

* Pro-rata for 12 months.

4. Employment Contracts

i) Chief Executive Officer

Mr Summers' contract of employment does not have a termination date and does not stipulate a termination payment. However, it specifies a six month notice period. Details regarding the remuneration paid to Mr Summers are contained in the table on page 16.

During the year no options were either granted to, or exercised by, Mr Summers. There are currently no unexercised or outstanding options.

ii) Other Executives

The remaining AVJennings Executives are full time permanent employees with executive employment contracts. The employment contracts do not have termination dates or termination payments. However, they specify a notice period of three months. There are no other terms or conditions that differ significantly from the standard employment contracts applicable to other AVJennings employees. During the year, no options were granted to, or exercised by, the Executives. There are currently no unexercised or outstanding options.

5. Remuneration of Key Management Personnel and the five highest paid Executives of the Company and the Consolidated Entity

Details of the nature and amount of each element of remuneration of Directors and Executives are set out in the tables on pages 16 and 17. The Directors are the same as those identified in the *Directors' Report* and Executives include the five highest paid Executives.

6. Remuneration Options: Granted and Vested During the Year

No options were either granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Directors or Executives hold any options.

REMUNERATION REPORT (Audited) (continued)

Directors	**Short-Term**			**Post Employment**	**Long-Term**	**Share-based payment**	**Total**	**Performance Related**
	Salary / Fees	**Cash Bonus**	**Other**	**Superannuation** (3)	**Long Service Leave**	**Shares**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
30 June 2011								
S Cheong(1)	-	-	-	-	-	-	**-**	**-**
RJ Rowley	77,982	-	-	7,018	-	-	**85,000**	**-**
PK Summers(2)	424,847	123,750	63,200	46,543	38,192	163,989	**860,521**	**23.47**
E Sam(1)	-	-	-	-	-	-	**-**	**-**
HR Hochstadt	50,000	-	-	-	-	-	**50,000**	**-**
B Chin	60,000	-	-	-	-	-	**60,000**	**-**
BG Hayman	45,872	-	-	4,128	-	-	**50,000**	**-**
	658,701	**123,750**	**63,200**	**57,689**	**38,192**	**163,989**	**1,105,521**	
30 June 2010								
S Cheong(1)	-	-	-	-	-	-	**-**	**-**
RJ Rowley	82,482	-	-	50,585	-	-	**133,067**	**-**
PK Summers(4)	453,254	87,500	262,500	25,000	12,508	60,000	**900,762**	**38.86**
E Sam(1)	-	-	-	-	-	-	**-**	**-**
HR Hochstadt	50,000	-	-	-	-	-	**50,000**	**-**
B Chin	60,000	-	-	-	-	-	**60,000**	**-**
BG Hayman	60,872	-	-	5,478	-	-	**66,350**	**-**
	706,608	**87,500**	**262,500**	**81,063**	**12,508**	**60,000**	**1,210,179**	

(1) These Directors were not paid fees. A consulting fee of $50,000 per month was paid to the ultimate parent entity SC Global Developments Limited which covers the services of these Directors. International airfares to attend meetings are paid for by a related entity.
(2) 'Other' relates to the value of motor vehicle benefits.
(3) Payments to Defined Contribution Plans. Consists of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.
(4) 'Other' relates to a non-cash bonus. The post-tax amount of the bonus was allocated to the existing Employee Share Plan to purchase AVJennings shares which vested immediately. The shares cannot be sold or transferred until 8 September 2013.

(a) Directors are also reimbursed for airfares (other than the international airfares for those Directors referred to in (1) above), and other expenses relating to the provision of their services.
(b) With the exception of share-based compensation for the Chief Executive referred to in 2.5(iii), there were no other share-based payments made to Directors in the year under review.

REMUNERATION REPORT (Audited) (continued)

Executives	Short-Term			Post Employment	Long-Term	Share-Based Payment	Total	Performance Related
	Salary / Fees	Cash Bonus	Other (1)	Superannuation (2)	Long Service Leave	Shares		
	$	$	$	$	$	$	$	%
30 June 2011								
M Henesey-Smith	285,828	42,500	15,000	52,128	18,074	17,913	**431,443**	**14.00**
SC Orlandi	282,216	8,250	-	15,199	9,490	11,591	**326,746**	**6.07**
CD Thompson	222,227	21,375	-	56,599	3,067	12,012	**315,280**	**10.59**
L Hunt	196,615	10,500	-	15,199	1,758	8,851	**232,923**	**8.31**
Other Executives								
P Vlitas	266,584	-	17,951	20,575	15,441	5,795	**326,346**	**1.78**
G Marshall	222,127	30,000	9,489	23,989	9,826	5,268	**300,699**	**11.73**
	1,475,597	**112,625**	**42,440**	**183,689**	**57,656**	**61,430**	**1,933,437**	
30 June 2010								
M Henesey-Smith	265,051	80,000	15,577	49,812	11,409	-	**421,849**	**18.96**
A Soutar(3)	272,370	-	-	49,708	1,768	-	**323,846**	**-**
SC Orlandi	260,517	20,000	20,025	13,747	7,403	-	**321,692**	**6.22**
CD Thompson	249,347	25,000	-	37,135	1,624	-	**313,106**	**7.98**
L Hunt	197,441	15,000	-	13,966	807	-	**227,214**	**6.60**
Other Executives								
P Vlitas	249,435	40,000	18,641	18,692	9,766	-	**336,534**	**11.89**
	1,494,161	**180,000**	**54,243**	**183,060**	**32,777**	**-**	**1,944,241**	

(1) Represents the value of motor vehicle benefits.
(2) Payments to Defined Contribution Plans. Consists of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.
(3) Transferred with the discontinued Contract Building division.

Directors' Report
For the year ended 30 June 2011

MEETINGS OF DIRECTORS AND DIRECTORS' COMMITTEES

The number of meetings of Directors and Directors' committees held during the year, for the period the Director was a Member of the Board or a Committee, and the number of meetings attended by each Director are detailed below.

	Full Meetings of Directors		Meetings of Committees							
			Audit		Remuneration		Nominations		Risk Management	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Cheong	7	7	-	-	1	1	1	1	-	-
RJ Rowley	7	7	3	3	-	-	1	1	1	1
PK Summers	7	7	-	-	-	-	-	-	-	-
E Sam	7	7	3	3	1	1	1	1	-	-
HR Hochstadt	7	7	-	-	1	1	1	1	-	-
B Chin	7	7	3	3	-	-	-	-	-	-
BG Hayman	7	7	-	-	1	1	1	1	1	1

Investments Committee

The Investments Committee does not formally meet in person. It conducts physical inspections of certain major development sites and receives detailed briefings from management on all major development sites prior to consideration of formal acquisition proposals which are dealt with by way of circular resolution.

DIRECTORS' INTERESTS

The relevant interests of the Directors in the shares of the Company at the date of this Report are:

Director	Number
S Cheong	137,370,023
E Sam	149,534
PK Summers	942,147
RJ Rowley	180,000

INDEMNIFYING OFFICERS

During the year, the Consolidated Entity paid a premium in respect of a contract insuring its Directors and employees against liabilities that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Consolidated Entity. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

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.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following Independence Declaration from our auditors, Ernst & Young:

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

In relation to our audit of the financial report of AVJennings Limited for the financial year ended 30 June 2011, 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
28 September 2011

David Simmonds
Partner

NON-AUDIT SERVICES

A number of non-audit services were provided by the Consolidated Entity's auditor, Ernst & Young. These non-audit services are detailed in note 8 to this Financial Report. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

Simon Cheong
Director

Peter Summers
Director

28 September 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Continuing operations			
Revenues	5	210,246	267,639
Share of profits of associates and joint venture entities accounted for using the equity method		1,779	2,124
Change in inventories, finished goods and work-in-progress		(153,986)	(219,083)
Other operational expenses		(5,375)	(4,030)
Advertising expenses		(3,437)	(3,389)
Display costs		(1,088)	(1,096)
Employee expenses		(21,535)	(21,869)
Depreciation and amortisation expense	5	(486)	(1,639)
Finance costs	5	(914)	(641)
Fair value gain on interest rate derivatives		441	2,856
Other expenses		(5,702)	(2,043)
Profit from continuing operations before income tax		**19,943**	**18,829**
Income tax expense	9	(5,343)	(4,584)
Profit from continuing operations after income tax		**14,600**	**14,245**
Discontinued operations			
Loss from discontinued operations after income tax	10	(1,707)	(4,629)
Net profit for the year		**12,893**	**9,616**
Other comprehensive income			
Foreign currency translation		(427)	(1)
Other comprehensive loss for the year net of tax		**(427)**	**(1)**
Total comprehensive income for the year		**12,466**	**9,615**
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent:		**Cents**	**Cents**
Basic earnings per share	12	5.35	5.20
Diluted earnings per share	12	5.19	5.16
Earnings per share for profit attributable to ordinary equity holders of the parent:			
Basic earnings per share	12	4.72	3.51
Diluted earnings per share	12	4.57	3.48

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	13	12,260	24,110
Trade and other receivables	14	17,159	15,409
Inventories	15	131,231	100,571
Other current assets	16	1,300	1,712
Assets of disposal group classified as held for sale		-	43,228
Total current assets		**161,950**	**185,030**
NON-CURRENT ASSETS			
Inventories	15	285,630	241,591
Investments accounted for using the equity method	17	41,131	41,268
Property, plant and equipment	21	1,087	1,866
Intangible assets	22	2,816	2,816
Total non-current assets		**330,664**	**287,541**
Total assets		**492,614**	**472,571**
CURRENT LIABILITIES			
Trade and other payables	23	48,485	34,288
Derivative financial instruments		68	509
Interest-bearing loans and borrowings	24	62,529	67,212
Tax payable	25	3,540	905
Provisions	27	3,235	3,565
Liabilities directly associated with the assets classified as held for sale		-	21,966
Total current liabilities		**117,857**	**128,445**
NON-CURRENT LIABILITIES			
Trade and other payables	23	43,400	11,650
Interest-bearing loans and borrowings	24	6,619	15,014
Deferred tax liabilities	26	19,516	17,398
Provisions	27	694	646
Total non-current liabilities		**70,229**	**44,708**
Total liabilities		**188,086**	**173,153**
Net assets		**304,528**	**299,418**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	28	121,835	122,578
Reserves	29(a)	(94)	81
Retained earnings	29(c)	182,787	176,759
Total equity		**304,528**	**299,418**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

		Attributable to equity holders of the Parent				Total equity
	Note	Issued capital $'000	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	$'000
At 1 July 2009		**122,578**	**1**	**21**	**167,143**	**289,743**
Profit for the year		-	-		9,616	9,616
Other comprehensive loss for the year		-	(1)	-	-	(1)
Total comprehensive income for the year		-	(1)	-	9,616	9,615
Transactions with owners in their capacity as owners						
- Share-based payment reserve		-	-	60	-	60
		-	(1)	60	9,616	9,675
At 30 June 2010		**122,578**	**-**	**81**	**176,759**	**299,418**
Profit for the year		-	-	-	12,893	12,893
Other comprehensive loss for the year		-	(427)	-	-	(427)
Total comprehensive income for the year		-	(427)	-	12,893	12,466
Transactions with owners in their capacity as owners						
- Treasury shares acquired	28(b)	(743)	-	-	-	(743)
- Foreign currency translation reserve		-	10	-	-	10
- Share-based payment reserve		-	-	242	-	242
- Dividends paid	11	-	-	-	(6,865)	(6,865)
		(743)	(417)	242	6,028	5,110
At 30 June 2011		**121,835**	**(417)**	**323**	**182,787**	**304,528**

Consolidated Statement of Cash Flows
For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		248,672	491,400
Payments to suppliers, land vendors and employees		(254,104)	(434,203)
Interest paid		(10,863)	(13,751)
Income tax paid		(1,157)	-
Net cash (used in) / from operating activities	30	**(17,452)**	**43,446**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		819	629
Purchase of property, plant and equipment	21	(657)	(756)
Proceeds from sale of discontinued operations		21,304	-
Interest received		907	567
Distribution received		4,510	1,120
Dividends received		1,000	-
Investments in associates and joint venture entities		(3,594)	(243)
Net cash from investing activities		**24,289**	**1,317**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		124,238	136,098
Loans from related parties		2,000	-
Repayment of borrowings		(137,120)	(162,549)
Payment of finance lease liability		(207)	(677)
Payment for treasury shares	28(b)	(743)	-
Equity dividends paid		(6,865)	-
Net cash used in financing activities		**(18,697)**	**(27,128)**
NET INCREASE (DECREASE) IN CASH HELD		**(11,860)**	**17,635**
Cash and cash equivalents at beginning of year		24,110	6,475
Effects of exchange rate changes on cash and cash equivalents		10	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**12,260**	**24,110**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

1. CORPORATE INFORMATION

The Consolidated Financial Report of AVJennings Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 28 September 2011.

AVJennings Limited (the Parent) is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Singapore Exchange through the Central Limited Order Book (CLOB). The ultimate parent is SC Global Developments Limited, a company incorporated in Singapore which owns 50.03% of the ordinary shares in AVJennings Limited.

The Consolidated Entity ("AVJennings", "Consolidated Entity" or "Group") consists of AVJennings Limited (the "Company" or the "Parent Entity") and its controlled entities. The nature of the operations and principal activities of the Consolidated Entity are described in the *Directors' Report*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

The Financial Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

a) Compliance with IFRS

The Financial Report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following new Standards and amendments to Standards are mandatory for the first time for the financial year beginning 1 July 2010. The adoption of these Standards did not have any impact on the current period or any prior period and is not likely to affect future periods:

- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]* effective 1 January 2010
- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* effective 1 January 2010
- *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2010

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by AVJennings for the annual reporting period ended 30 June 2011. The Directors believe that these new or amended Standards and Interpretations do not have any material effect on the Financial Statements presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The *Consolidated Financial Statements* incorporate the assets and liabilities of all subsidiaries of AVJennings Limited as at 30 June 2011 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(d)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

Non-controlling interests are allocated their fair share of the net profit or loss after tax in the *Consolidated Statement of Comprehensive Income* and are presented within equity in the *Consolidated Statement of Financial Position*, separately from the equity of the owners of the parent.

The Group has formed the AVJ Deferred Employee Share Plan Trust to administer the Group's employee share scheme. This Trust is consolidated, as substance of the relationship is that the trust is controlled by the Group. Shares held by the Trust are disclosed as treasury shares and deducted from contributed equity.

d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Consolidated Entity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investments in subsidiary companies and controlled entities

Investments in controlled entities are accounted for in the *Consolidated Financial Statements* as set out in note 2(c). Joint ventures are accounted for as set out in note 2(f) and investments in associates are accounted for as set out in note 2(g).

f) Joint ventures

Jointly controlled assets:

Interest in jointly controlled assets is accounted for using proportionate consolidation. AVJennings recognises its interest in the jointly controlled assets by recognising its interest in the assets and liabilities of the joint venture. It also recognises its share of expenses and income from the use and output of the jointly controlled asset. Details of the jointly controlled assets are set out in note 20.

Joint venture entities:

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture entity are recognised in the profit and loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Dividends received from joint venture entities are recognised as a reduction in the carrying amount of the investment. Details relating to joint venture entities are set out in note 17(b).

Profits or losses on transactions with joint venture entities are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the jointly controlled entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

g) Investments in associates

Investments in associates are accounted for using the equity method of accounting. Associates are entities over which the Consolidated Entity has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in associates are carried in the *Consolidated Statement of Financial Position* at cost plus post-acquisition changes in the Consolidated Entity's share of the net assets of the associates, less any impairment with respect to the net investment in the associate.

The Consolidated Entity's share of an associate's profits or losses is recognised in the *Consolidated Statement of Comprehensive Income*. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment. Details relating to associates are set out in note 17(a).

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits or losses on transactions with associates are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the associate on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

The reporting dates of the associate and the Consolidated Entity are identical and the associate's accounting policies conform to those used by the Consolidated Entity.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Discreet financial information is available for each segment to assess its performance and enable the chief operating decision maker to make decisions about allocation of resources.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the Financial Statements.

Information about the business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "other".

i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Plant, equipment, and motor vehicles	3-7 years
Motor vehicles	2-3 years
Leasehold improvements	3-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the *Consolidated Statement of Comprehensive Income.*

The assets' useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Derecognition:

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

A condition of the main banking facilities (refer to note 24(a)) is that the Consolidated Entity manages interest rate risk by entering into interest rate derivative contracts. To the extent that borrowings under the main banking facilities relate to qualifying assets, the net amounts payable under these derivative contracts are capitalised to the cost of the underlying assets.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale), are capitalised as part of the cost of those assets during the period of time required to complete and prepare the assets for their intended use or sale.

Temporary investment income earned on borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are expensed.

k) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The Consolidated Entity does not capitalise any expenditure resulting in the creation of internally generated intangible assets.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the expected useful life of the asset and tested for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most recent evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete.

Development projects and land:

Cost includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects. Borrowing and holding costs such as rates and taxes incurred after completion of development and construction are expensed. Costs expected to be incurred under penalty clauses and rectification provisions are also included.

Construction contracts:

Construction work-in-progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Contract costs include all costs directly related to specific contracts, and costs that are specifically chargeable to the customer under the terms of the contract. The stage of completion is measured using the percentage of completion method.

m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. For an asset or disposal group to be classified as held for sale, it must be available for an immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business and is part of a single coordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately on the face of the *Consolidated Statement of Comprehensive Income* and the assets and liabilities are presented separately on the face of the *Consolidated Statement of Financial Position*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Trade and other receivables

Trade receivables are carried at the amount invoiced less a provision for impairment.

Settlement terms for trade receivables are:

Development housing and land sales – generally between 30 and 180 days
Contract building (progress billing) – generally between 7 and 30 days

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written-off when identified. A provision for impairment is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. The amount of the impairment loss is the difference between the carrying amount of the receivable and the present value of estimated future cash flows, which are not discounted for short-term receivables as the effect of discounting is immaterial.

Where a receivable is expected to be settled more than twelve months after the reporting date, its carrying amount is discounted using the effective interest rate method. The difference between the carrying amount and the present value is recorded in the *Statement of Comprehensive Income.*

o) Cash and cash equivalents

Cash and cash equivalents in the *Consolidated Statement of Financial Position* comprise cash at bank and in hand and short-term deposits with a maturity of three months or less, that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

For the purposes of the *Consolidated Statement of Cash Flows*, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities in the *Consolidated Statement of Financial Position*.

p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Provisions

Provisions are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the *Consolidated Statement of Comprehensive Income* net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

r) Employee benefits

Wages, salaries, annual leave and sick leave:

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave:

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the project unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at a pre-tax rate that reflects the time value of money.

Superannuation contributions:

Contributions to superannuation plans are recognised as an expense in the *Consolidated Statement of Comprehensive Income* as they become payable.

Bonus entitlements:

A liability is recognised for bonus entitlements where contractually obliged or where there is a past practice that has created a constructive obligation.

s) Share-based payment transactions

Share-based compensation benefits are provided to Executives via the AVJ Deferred Employee Share Plan. These equity-settled transactions are measured at fair value at the grant date.

The original cost of equity-settled transactions is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period and the credit taken to share-based payment reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Leases

Consolidated Entity as lessee:

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the *Consolidated Statement of Comprehensive Income* on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Consolidated Entity as lessor:

Leases in which the Consolidated Entity retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Development projects and land sales:

Revenue from the sale of land, houses and apartments is recognised when the risks and rewards have been transferred and the Consolidated Entity retains neither continuing managerial involvement to the degree associated with ownership, nor effective control over the units sold. This is usually considered to occur on settlement. In certain circumstances, land sales are recognised prior to settlement where there is a signed unconditional contract for sale.

Construction contracts:

Contract building relates to Home Building Agreements and the like, where there is a contract to build a house or provide other residential construction services. Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Interest revenue:

Revenue is recognised as interest accrues using the effective interest rate method.

Management fees:

Revenue is recognised upon delivery of the services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Income tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the *Consolidated Statement of Comprehensive Income*.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation:

AVJennings Limited and its wholly-owned controlled entities implemented the Tax Consolidation Legislation as of 1 July 2002.

The Head Entity, AVJennings Limited, has entered into an agreement with its wholly-owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to the members of the Tax Consolidated Group.

In addition to its own current and deferred tax amounts, AVJennings Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Consolidated Statement of Financial Position*.

Cash flows are included in the *Consolidated Statement of Cash Flows* on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

x) Derivative financial instruments

The Consolidated Entity uses interest rate swaps and caps to hedge its risk associated with interest rate fluctuations. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately as income or expenses in profit and loss.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivative financial instruments are not held for trading purposes.

y) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares:

The Company's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (treasury shares), are deducted from equity. No gain or loss is recognised in profit or loss for the purchase, sale, issue or cancellation of the Company's own equity instruments.

ab) Foreign currency translation

(i) Functional and presentation currency:

Both the functional and presentation currency of AVJennings Limited and its Australian subsidiaries is Australian Dollars ($). A controlled entity, AVJ Hobsonville Pty Limited, has a branch in New Zealand whose functional currency is New Zealand Dollars which is translated to the presentation currency for consolidation reporting.

(ii) Transactions and balances:

Foreign currency transactions are translated into the Entity's functional currency at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when they are deferred in equity as they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies' functional currency to presentation currency:

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates;
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign investment is sold, the proportionate share of such exchange difference is reclassified to profit and loss as part of the gain or loss on sale where applicable.

ac) Comparative figures

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

3. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise receivables, payables, finance leases, derivatives, cash, bank loans and overdrafts.

Risk Management is carried out by a central treasury department under policies approved by the Board of Directors. The objective of the policies is to support the delivery of financial targets and manage key financial risks such as interest rates, foreign currency, credit and liquidity. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

AVJennings enters into derivative transactions, principally interest rate cap and interest rate swap contracts, to hedge interest rate risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk. Liquidity risk is managed through the development of future rolling cash flow forecasts and the continuity of funding through the facilities mentioned in notes 24(a) and 24(b).

Primary responsibility for identification and control of financial risks rests with management under the authority of the Board. The Board reviews and agrees on policies for managing each of the risks identified below.

(i) Interest rate risk

The Consolidated Entity's exposure to market interest rates relates to the obligations arising from interest-bearing loans and overdraft. The level of debt is disclosed in note 24.

The policy is to manage finance costs using a mix of fixed and variable rate debt with a target to have approximately 50% of forecast average borrowings at fixed or capped rates of interest. Forecast average borrowings are derived from periodic rolling cash flow forecasts which include an allowance for potential acquisitions. Please refer to the table on page 37 for the position at the reporting date.

To manage the mix of fixed and variable debt in a cost efficient manner, the Consolidated Entity enters into interest rate cap and floating-to-fixed interest rate swap contracts. It is acknowledged that fair value exposure on derivatives is a by product of the Consolidated Entity's attempt to manage the cash flow volatility arising from interest rate changes.

Interest rate cap contracts are entered into for a notional principal amount by paying an upfront premium that covers a specific period. The strike rates for these contracts are benchmarked against the BBSY bid rate (*Australian Bank Bill Swap Reference Rate - Average Bid Rate*) on a quarterly basis. Settlement occurs quarterly, in favour of the Consolidated Entity, should the BBSY bid rate be above the cap strike rate (movements in the variable rate are directly proportional to movements in the BBSY bid rate).

By entering into interest rate swaps, the Consolidated Entity agrees to exchange, at the end of each quarter, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The Consolidated Entity's interest rate derivatives do not qualify for hedge accounting treatment. Gains or losses arising from changes in fair value are recognised in profit or loss.

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

At the reporting date, the following variable rate borrowings, interest rate swap and interest rate cap contracts were outstanding:

	2011		2010	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Cash	4.04	(12,260)	4.04	(24,110)
Bank loans	6.72	69,119	6.98	82,000
Lease liabilities	9.16	29	8.33	226
Net financial liabilities		**56,888**		**58,116**
Interest rate caps		(15,000)		(65,000)
Interest rate swaps		(15,000)		(65,000)
Under/(over)-hedged borrowings		**26,888**		**(71,884)**

Interest rate derivative contracts are exposed to fair value movements if interest rates change. Details of these contracts are outlined in note 24(e).

At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 17.3% of available borrowings are at fixed or capped rates of interest (2010: 76.0%).

The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
+1.00% (100 basis points)	203	48	-	-
+0.50% (50 basis points)	94	24	-	-
-0.50% (50 basis points)	(84)	(7)	-	-

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

The above fluctuations in post tax profit and other comprehensive income are net of interest capitalised to inventories. The effect on the basis that no interest is capitalised, would be as follows:

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
+1.00% (100 basis points)	(54)	48	-	-
+0.50% (50 basis points)	(34)	24	-	-
-0.50% (50 basis points)	44	(24)	-	-

(ii) Foreign currency risk

AVJ Hobsonville Pty Limited is a subsidiary which has a branch in New Zealand. The entire operations of the branch, including purchases of inventory denominated in New Zealand Dollars, are funded by AVJennings Properties Limited (another subsidiary) through an intragroup account.

The *Consolidated Statement of Financial Position* can be affected by the exchange rate movements between New Zealand Dollar and Australian Dollar. This exposure is not hedged as the effects are not considered to be material.

The Consolidated Entity also has transactional exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. This exposure is not material in relation to the branch in New Zealand.

At balance date, the Consolidated Entity had the following exposure to New Zealand Dollar foreign currency that is not designated in cash flow hedges:

	2011 NZ$'000	2010 NZ$'000
Financial Assets		
Cash and cash equivalents	1,390	610
Trade and other receivables	4,080	481
Total Financial Assets	**5,470**	**1,091**
Financial Liabilities		
Trade and other payables	(12,342)	(9,611)
Total Financial Liabilities	**(12,342)**	**(9,611)**
Net exposure	**(6,872)**	**(8,520)**

3. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign currency risk (continued)

At balance date, had the Australian Dollar moved, the effect of exposure to New Zealand Dollar foreign currency that is not designated in cash flow hedges is illustrated in the following table:

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
AUD/NZD +10%	-	-	(834)	(706)
AUD/NZD - 5%	-	-	483	409
AUD/NZD -10%	-	-	1,019	863

(iii) Price risk

The Consolidated Entity does not have commodity and equity securities price risk.

(iv) Credit risk

Credit risk arises from financial assets which comprise cash and cash equivalents, trade and other receivables, derivative instruments and the granting of financial guarantees. Exposure to credit arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note) as well as $15,663,000 (2010: $871,000) in relation to financial guarantees granted – see note 32 for further information.

Contracts for Land, Integrated Housing and Apartments usually require payment in full prior to passing of title to customers. In the event that title is to pass without full payment being received, appropriate credit verification procedures are performed prior to executing the contract.

Derivative counterparties and cash deposits are limited to financial institutions approved by the Board.

The Consolidated Entity has no significant concentrations of credit risk and does not hold any credit derivatives to offset its credit exposure.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT (continued)

(v) Liquidity risk

Liquidity arises from the financial liabilities of the Consolidated Entity and its ability to repay them as and when they fall due.

The objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit facilities. Liquidity risk is managed by monitoring forecast cash flows on a monthly basis and matching the maturity profiles of financial assets and liabilities.

The current main banking facilities were due to mature on 30 September 2011. Subsequent to the year-end, the Consolidated Entity has received approval to extend these for a further 2 years to 30 September 2013. Documentation is in the process of being completed and is expected to be signed by 30 September 2011, as outlined in note 24(a). In addition, the Consolidated Entity operates certain project funding facilities which are discussed in note 24(b).

At 30 June 2011, 90.4% (2010: 81.7%) of the Consolidated Entity's interest bearing loans and borrowings will mature in less than one year. Based upon the approved extension of the Company's main banking facilities to 30 September 2013, 18.1% of the Consolidated Entity's debt at 30 June 2011 will mature in less than one year.

A. Non-derivative financial liabilities:

The liquidity risk disclosures on page 41 reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2011. For the other obligations, the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which it can be required to be paid. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table on page 41, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. The Consolidated Entity ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT (continued)

(v) Liquidity risk (continued)

A. Non-derivative financial liabilities: (continued)

Year ended 30 June 2011	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Liquid Financial Assets				
Cash and cash equivalents	12,260	-	-	12,260
Trade and other receivables	17,159	-	-	17,159
	29,419	**-**	**-**	**29,419**
Financial Liabilities				
Trade and other payables	27,045	21,440	43,400	91,885
Interest-bearing loans and borrowings*	58,805	5,266	7,132	71,203
Financial Guarantees	15,663	-	-	15,663
	101,513	**26,706**	**50,532**	**178,751**
Net maturity	**(72,094)**	**(26,706)**	**(50,532)**	**(149,332)**

Year ended 30 June 2010	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Liquid Financial Assets				
Cash and cash equivalents	24,110	-	-	24,110
Trade and other receivables	15,409	-	-	15,409
	39,519	**-**	**-**	**39,519**
Financial Liabilities				
Trade and other payables	27,233	7,055	11,650	45,938
Interest-bearing loans and borrowings*	66,337	3,052	17,505	86,894
Financial Guarantees	871	-	-	871
	94,441	**10,107**	**29,155**	**133,703**
Net maturity	**(54,922)**	**(10,107)**	**(29,155)**	**(94,184)**

***** Expected settlement amounts of interest-bearing loans and borrowings include an estimate of the interest payable to the date of expiry of the facilities.

In addition to maintaining sufficient liquid assets to meet short-term payments, at reporting date, the Consolidated Entity has approximately $135 million (2010: $106 million) of unused credit facilities available for its immediate use. Please refer to note 24(a).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT (continued)

(v) Liquidity risk (continued)

B. Derivative financial liabilities:

The table below details the liquidity risk arising from the derivative liabilities held by the Consolidated Entity at balance date.

Year ended 30 June 2011	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Derivatives				
Net settled (interest rate swaps)	15	-	-	15
Net maturity	**15**	**-**	**-**	**15**

Year ended 30 June 2010	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Derivatives				
Net settled (interest rate swaps)	273	-	-	273
Net maturity	**273**	**-**	**-**	**273**

(vi) Fair value

The methods used in estimating the fair value of a financial instrument are:

Level 1 - the fair value is calculated using quoted prices in active markets.
Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or the liability, either directly (as prices) or indirectly (derived from prices).
Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT (continued)

(vi) Fair Value (continued)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2011				Year ended 30 June 2010			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Derivative instruments								
- Interest rate swaps	-	68	-	68	-	509	-	509
	-	68	-	68	-	509	-	509

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction of transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants are used. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps not traded on a recognised exchange.

The fair value of unlisted debt and equity securities, as well as other instruments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk (e.g. CDS spreads) are not observable, the derivative would be classified as based on non observable market inputs (Level 3).

There were no transfers between any of the categories during the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements, estimates and assumptions affect the amounts reported in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Judgements and estimates are based on historical experience and on other relevant factors which form the basis of the carrying values of assets and liabilities.

Judgements, estimates and assumptions made in the preparation of these Financial Statements are outlined below. Actual results may differ from these estimates and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant Notes to the Consolidated Financial Statements.

(i) Critical accounting judgements

Recovery of deferred tax assets:

Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise these.

Cost of goods sold:

Management uses judgement in determining the method to be used for cost apportionment. Costs may be apportioned based on yield, unit entitlement, percentage of revenue or other equitable methods. Costs include costs incurred to date as well as forecast costs to bring the inventory into a saleable state.

(ii) Critical accounting estimates and assumptions

Estimates of net realisable value of inventories:

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs of selling. Estimates take into consideration fluctuations in price or cost. The key assumptions used in this exercise require the use of management judgement and are reviewed half-yearly.

Profit recognised on developments:

Profit on developments is generally recognised on settlement as discussed in note 2(u). The calculation of profit for projects that are in progress, is based on actual costs to date and estimates of costs to complete.

Share-based payment transactions:

The cost of equity settled securities allocated to employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. As explained in note 35(b), the fair value of some equity instruments is determined using the Monte Carlo simulation model which includes a number of judgements and assumptions. These judgements and assumptions have no impact on the carrying value of assets and liabilities in the *Consolidated Statement of Financial Position* but may impact the share-based payment expense taken to profit and loss.

Valuation of derivatives:

Derivatives not quoted in an active market are valued based on certain assumptions and estimates. These valuations can change depending on market volatility.

5. REVENUES AND EXPENSES

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

	Note	2011 $'000	2010 $'000
Revenues from continuing operations			
Developments		194,995	256,854
Home Improvements		7,993	6,380
Interest revenue		958	685
Management fees		3,579	3,012
Rental revenue		47	67
Royalty revenue		1,655	-
Sundry revenue		1,019	641
Total revenues		**210,246**	**267,639**
Changes in inventories, finished goods and work-in-progress			
Amortisation of finance costs capitalised to inventories		6,246	14,319
Depreciation and amortisation expense			
Depreciation			
Leasehold improvements	21	101	222
Plant, equipment and motor vehicles	21	325	895
Amortisation			
Motor vehicles under lease	21	60	276
Brand name	22	-	246
Total depreciation and amortisation expense		**486**	**1,639**
Other expenses			
Minimum operating lease payments		3,346	4,267
Finance costs			
Bank loans and overdrafts		10,844	13,676
Finance charges payable under finance leases		19	75
Total finance costs		10,863	13,751
Less: Amount capitalised to inventories		(9,949)	(13,110)
Finance costs expensed		**914**	**641**

6. 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 states 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 note 2 to the Financial Report.

Operating segments

States:

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

Other:

This includes corporate transactions entered into by the Head Office which are not state based.

Contract Building:

The customer contracts to build a home with AVJennings on land they have sourced themselves. This is a discontinued operation as discussed in note 10.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

6. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments for the year ended 30 June 2011:

	Continuing Operations												*Discontinued Operations*		*Total Operations*	
	NSW		**VIC**		**QLD**		**SA**		**Other**		**Total**		**Contract Building**		**Consolidated**	
Operating segments	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenues																
External sales	53,436	126,775	88,408	81,998	31,627	25,598	29,517	28,863	-	-	202,988	263,234	15,503	203,345	218,491	466,579
Management fees	2,264	1,263	895	1,163	420	586	-	-	-	-	3,579	3,012	-	-	3,579	3,012
Other revenue	-	-	-	-	-	-	-	-	3,679	1,393	3,679	1,393	13	172	3,692	1,565
Total segment revenues	**55,700**	**128,038**	**89,303**	**83,161**	**32,047**	**26,184**	**29,517**	**28,863**	**3,679**	**1,393**	**210,246**	**267,639**	**15,516**	**203,517**	**225,762**	**471,156**
Results																
Segment results *****	2,412	10,079	22,414	10,404	276	969	4,724	4,089	(160)	267	29,666	25,808	(251)	6,775	29,415	32,583
Fair value movement in interest rate derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	441	2,856
Other income	-	-	-	-	-	-	-	-	3,679	1,393	3,679	1,393	13	172	3,692	1,565
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(486)	(1,639)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,625)	(22,508)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(914)	(641)
Profit before tax															18,523	12,216
Income tax															(5,630)	(2,600)
Net profit															**12,893**	**9,616**

* Please refer to note 10 for a reconciliation of the segment results of the discontinued operations to the loss after tax.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

6. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments as at 30 June 2011:

	Continuing Operations										*Discontinued Operations*		*Total Operations*	
Operating segments	**NSW**		**VIC**		**QLD**		**SA**		**Other**		**Contract Building**		**Consolidated**	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Assets														
Segment assets	168,427	149,635	92,042	106,602	144,210	80,839	64,969	60,675	22,966	31,592	-	43,228	492,614	472,571
Total assets	**168,427**	**149,635**	**92,042**	**106,602**	**144,210**	**80,839**	**64,969**	**60,675**	**22,966**	**31,592**	**-**	**43,228**	**492,614**	**472,571**
Liabilities														
Segment liabilities	13,898	5,930	21,389	28,964	51,881	5,030	17,906	21,095	83,012	90,168	-	21,966	188,086	173,153
Total liabilities	**13,898**	**5,930**	**21,389**	**28,964**	**51,881**	**5,030**	**17,906**	**21,095**	**83,012**	**90,168**	**-**	**21,966**	**188,086**	**173,153**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

7. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel and the five highest paid Executives

	2011	2010
	$	**$**
Short-term		
- Salary/Fees	2,134,298	2,200,769
- Cash bonus	236,375	267,500
- Other (1)	105,640	316,743
Post employment		
- Superannuation (2)	241,378	264,123
Long-term		
- Long service leave	95,848	45,285
Share-based payment	225,419	60,000
	3,038,958	**3,154,420**

(1) 'Other' represents the value of motor vehicle benefits (2010: includes the value of motor vehicle benefits and a non-cash bonus of $262,500 to the Chief Executive Officer. The post-tax amount of the bonus was allocated to the existing Employee Share Plan to purchase AVJennings shares which vested immediately. The shares cannot be sold or transferred until 8 September 2013).

(2) Payments to Defined Contribution Plans. Consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.

Detailed remuneration disclosures are provided in the Remuneration Report on pages 16 and 17.

(b) Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out on page 50. Details of shares granted as compensation during the reporting period are given in note 7(d).

7. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Shareholdings of Key Management Personnel (continued)

Number of shares held in AVJennings Limited

	Opening Balance	Vested as Remuneration	Net Other Change[2]	Closing Balance
For the year ended 30 June 2011				
Directors				
S Cheong	137,370,023	-	-	**137,370,023**
E Sam	149,534	-	-	**149,534**
PK Summers[1]	333,333	608,814	-	**942,147**
RJ Rowley	180,000	-	-	**180,000**
Executives				
CD Thompson	-	-	319,500	**319,500**
Total	**138,032,890**	**608,814**	**319,500**	**138,961,204**
For the year ended 30 June 2010				
Directors				
S Cheong	137,370,023	-	-	**137,370,023**
E Sam	149,534	-	-	**149,534**
PK Summers	-	333,333	-	**333,333**
RJ Rowley	150,000	-	30,000	**180,000**
Total	**137,669,557**	**333,333**	**30,000**	**138,032,890**

(1) Includes 333,333 shares vested during the year (refer to note 7(d)) and 275,481 shares purchased by the AVJ Deferred Employee Share Plan in lieu of 2010 non-cash bonus, which vested immediately.
(2) The "net other change" relates to shares acquired on market.

No other Key Management Personnel held shares in AVJennings Limited at any time during the year.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(c) Compensation options: granted and vested during the year

No options were granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Key Management Personnel hold any options.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

7. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Equity instrument disclosures relating to Key Management Personnel

Share-based compensation benefits based on different vesting conditions are provided to certain Key Management Personnel via the AVJ Deferred Employee Share Plan.

Vesting subject to service condition only

The Chief Executive Officer was granted 1,000,000 shares on 7 March 2009 which vest in equal proportions on the first, second and third anniversary of his appointment. The vesting dates are 19 February 2010, 19 February 2011 and 19 February 2012. The market value of the shares at the grant date is taken to be the fair value. The service condition is the continuity of employment over the 3 years. The unvested shares are held by the AVJ Deferred Employee Share Plan Trust.

Vesting subject to both service and performance conditions

A total of 1,375,452 shares were granted on 28 September 2010 to certain Executives. As detailed below, these include 1,136,816 shares for KMP and 97,800 shares for executives who are amongst the five highest remunerated. The remaining shares were granted to executives who were neither KMP nor amongst the five highest remunerated.

	Shares Granted			Number of Shares Vested		
Name	**Year Granted**	**Number**	**Fair Value**	**Unvested at 1 July 2010**	**Vested during the year**	**Unvested at 30 June 2011**
Executive Committee Members (KMP)						
PK Summers	**2009**	1,000,000	$ 180,000	666,667	333,333	333,334
PK Summers	**2011**	691,591	$ 312,945	691,591	-	691,591
M Henesey-Smith	**2011**	158,344	$ 71,651	158,344	-	158,344
CD Thompson	**2011**	106,183	$ 48,048	106,183	-	106,183
SC Orlandi	**2011**	102,458	$ 46,362	102,458	-	102,458
L Hunt	**2011**	78,240	$ 35,404	78,240	-	78,240
Other Executives (not KMP but in top five remunerated)						
P Vlitas	**2011**	51,229	$ 23,181	51,229	-	51,229
G Marshall	**2011**	46,571	$ 21,074	46,571	-	46,571
Total		**2,234,616**	**$ 738,665**	**1,901,283**	**333,333**	**1,567,950**

These shares are subject to both service and performance conditions and will vest to the extent that each of these conditions is satisfied.

The service vesting condition is the employee must still be employed by AVJennings at 30 September 2013 for the shares to vest, except in the event of death or permanent disablement in which case the shares vest to the estate. In the event that the employee is retrenched, the shares may vest subject to certain conditions.

The performance vesting conditions include the achievement of an Earnings per Share (EPS) hurdle and a Total Shareholder Return (TSR) hurdle. The fair value of the EPS element of the shares is the market value at grant date. The Monte Carlo Model is used to fair value the TSR element. The model simulates AVJennings TSR and compares it against the ASX Small Industrials Retail Index. The model takes into account historic dividends, share price volatilities and the risk-free yield on an Australian Government Bond at the grant date matching the remaining effective life of 3 years.

Please refer to note 2(s), note 28(b) and note 35(b).

7. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Loans to Key Management Personnel

There are currently no outstanding loans receivable from Key Management Personnel. No loans were made to Key Management Personnel during the year.

(f) Other Transactions with Key Management Personnel

Services:

A Director, Mr. BG Hayman, is the Chairman of Chartwell Management Services Pty Limited. Chartwell Management Services Pty Limited provided consulting services to AVJennings Limited and its controlled entities on normal commercial terms and conditions in the year ended 30 June 2010. No service was provided in the year ended 30 June 2011. The amount recognised as an expense for the year ended 30 June 2011 is $Nil (2010: $63,712).

8. AUDITOR'S REMUNERATION

	2011 $	2010 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the 30 June full-year and 31 December interim financial reports of the Entity and other entities in the Consolidated Group	225,450	312,000
- Share of audit or review costs of the financial reports of the Consolidated Entity's joint ventures	-	1,000
- Other services in relation to the Entity and any other entities in the Consolidated Group		
- non-audit related fees	15,000	-
Total auditor's remuneration	**240,450**	**313,000**

9. INCOME TAX

Income tax expense	**Note**	**2011 $'000**	**2010 $'000**
The major components of income tax expense are:			
Current income tax			
Current income tax charge		3,522	771
Adjustment for prior periods		117	20
Deferred income tax			
Current year temporary differences		2,000	1,766
Adjustment for prior periods		(9)	43
Income tax expense reported in the *Consolidated Statement of Comprehensive Income*		**5,630**	**2,600**

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

	Note	2011	2010
Accounting profit before income tax from continuing operations		**19,943**	**18,829**
Loss before income tax from discontinued operations	10	**(1,420)**	**(6,613)**
Total accounting profit before income tax		**18,523**	**12,216**
Tax at Australian income tax rate of 30% (2010 - 30%)		5,557	3,665
Adjustment for prior periods		108	(559)
Equity accounted share of Joint Venture profits		(520)	(544)
Other non-deductible items and variations		485	38
Aggregate income tax expense		**5,630**	**2,600**
Aggregate income tax expense is attributable to:			
Continuing operations		5,343	4,584
Discontinued operations		287	(1,984)
		5,630	**2,600**

Tax losses

The Consolidated Entity has capital tax losses of $1,013,526 (2010: $1,013,526) for which no deferred tax asset has been recognised. These are available indefinitely for offset against future capital gains subject to satisfaction of the relevant statutory tests.

Tax consolidation

AVJennings Limited and its wholly-owned resident entities have formed a tax consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The accounting policy in relation to tax consolidation is set out in note 2(v).

The Head Entity, AVJennings Limited, has entered into an agreement with its wholly-owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the Tax Consolidated Group.

9. INCOME TAX (continued)

Nature of tax funding arrangements and tax sharing agreements

Entities within the Tax Consolidated Group have entered into a tax funding arrangement and a tax sharing agreement with the Head Entity. Under the terms of the Tax Funding Arrangement, each of the entities in the Tax Consolidated Group has agreed to pay or receive a tax equivalent payment to, or from, the Head Entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the Tax Consolidated Group.

The Tax Sharing Agreement entered into between members of the Tax Consolidated Group provides for the determination of the allocation of income tax liabilities between the entities should the Head Entity default on its tax payment obligations or if an entity should leave the Tax Consolidated Group. The effect of the Tax Sharing Agreement is that each member's liability for tax payable by the Tax Consolidated Group is limited to the amount payable to the Head Entity under the Tax Funding Arrangement.

Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Consolidated Entity has assessed the potential impact of these changes on its tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2011 (2010: $Nil).

10. DISCONTINUED OPERATIONS

During the year, total proceeds amounting to $21.3 million were received in respect of the sale of the Contract Building Division to Sekisui House Limited.

AVJennings will retain ownership of the "AVJennings" brand and continue to use this brand for its developments operations. It has licensed to Sekisui House the "AVJennings" brand and associated trade marks for use in the contract building business in return for a cash royalty based generally on the revenue and cumulative profit for the business for a three year term effective 1 August 2010.

The results of the discontinued operations for the current year (the month of July 2010 only) and prior year (12 months) are presented below:

	2011	**2010**
	$'000	**$'000**
External sales	15,503	203,345
Other revenue	13	172
Change in inventories, finished goods and work-in-progress	(12,794)	(165,252)
Other expenses	(4,142)	(44,878)
Loss from discontinued operations before tax	(1,420)	(6,613)
Tax (expense)/benefit	(287)	1,984
Loss from discontinued operations after tax	**(1,707)**	**(4,629)**

10. DISCONTINUED OPERATIONS (continued)

Reconciliation to segment results	Note	2011 $'000	2010 $'000
Segment results	6	(251)	6,775
Other revenue	6	13	172
Indirect expenses		(1,119)	(13,339)
Interest expense		(63)	(221)
Loss from discontinued operations before tax		(1,420)	(6,613)
Tax (expense)/benefit		(287)	1,984
Loss from discontinued operations after tax		**(1,707)**	**(4,629)**

11. DIVIDENDS

Dividends paid and recognised during the year		
2010 final of 1.5 cents per fully paid share, paid 30 September 2010. Fully franked @ 30% tax	4,119	-
2011 interim of 1.0 cent per fully paid share, paid 18 April 2011. Fully franked @ 30% tax	2,746	-
Total dividends paid	**6,865**	**-**
Dividends proposed		
2010 final dividend of 1.5 cents per fully paid share, paid 30 September 2010. Fully franked @ 30% tax	-	4,119
2011 final dividend of 1.5 cents per fully paid share, to be paid 19 October 2011. Fully franked @ 30% tax	4,119	-
Total dividends proposed	**4,119**	**4,119**

Dividends proposed after the year-end have not been recognised as a liability as at 30 June 2011 but will be brought into account during the 2012 financial year.

The Company's Dividend Reinvestment Plan remains suspended.

Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30%	**23,880**	**23,030**

The above amounts represent the balance of the franking account as at the reporting date, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The impact on the franking account of the dividend recommended by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $1,765,000 to $22,115,000.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

12. EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share	**2011 $'000**	**2010 $'000**
For basic earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent	14,600	14,245
Loss attributable to discontinued operations	(1,707)	(4,629)
Net profit attributable to equity holders of the parent	12,893	9,616
For diluted earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent (from basic EPS)	14,600	14,245
Tax effected share-based payment expense - liability component	(336)	(69)
Net profit from continuing operations attributable to ordinary equity holders adjusted for the effect of future share-based payment expense	14,264	14,176
Loss attributable to discontinued operations	(1,707)	(4,629)
Net profit attributable to equity holders of the parent	12,557	9,547

(b) Weighted average number of shares used as denominator	**2011 Number**	**2010 Number**
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	272,879,908	273,922,027
Effect of dilution:		
Treasury shares	1,708,786	666,667
Weighted average number of ordinary shares for diluted earnings per share	274,588,694	274,588,694

There have been no transactions involving ordinary shares that would significantly change the number of ordinary shares outstanding between the reporting date and the date of completion of these Financial Statements.

13. CASH AND CASH EQUIVALENTS

	2011 $'000	**2010 $'000**
Reconciliation to Consolidated Statement of Cash Flows		
For the purposes of *Consolidated Statement of Cash Flows* , cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	**12,260**	**24,110**

14. TRADE AND OTHER RECEIVABLES

	2011 $'000	2010 $'000
Current		
Amounts due under construction contracts and trade receivables	5,046	9,065
Related parties receivables	6,014	4,208
Other receivables	6,177	2,304
Allowance for impairment of other receivables	(78)	(168)
Total current trade and other receivables	**17,159**	**15,409**

(a) Allowance for impairment loss

No impairment loss has been recognised by the Consolidated Entity in the current year (2010: $Nil).

At 30 June, the ageing analysis of trade receivables is a follows:

		Number of days outstanding				
	Total $'000	0-30 $'000	31-60 $'000	61-90 PDNI* $'000	+ 91 PDNI* $'000	+ 91 CI# $'000
2011	5,046	3,949	96	132	869	-
2010	9,065	8,369	464	84	148	-

* Past due not impaired (PDNI)
# Considered impaired (CI)

With regards to receivables past due not impaired (PDNI), the relevant debtors have been directly contacted and the Consolidated Entity is satisfied that payment will be received in full.

Movements in provision for impairment of trade and other receivables

	2011 $'000	2010 $'000
At the beginning of the year	168	334
Amounts recovered during the year	(90)	-
Amounts written-off during the year	-	(166)
At the end of the year	**78**	**168**

(b) Related party receivables

For terms and conditions relating to related party receivables, refer to note 34.

(c) Other receivables

Other receivables generally arise from transactions outside the usual operating activities of the Consolidated Entity. These receivables are not past due or impaired.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

14. TRADE AND OTHER RECEIVABLES (continued)

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Consolidated Entity's policy to transfer (on-sell) receivables to special purpose entities.

15. INVENTORIES

	Note	2011 $'000	2010 $'000
Current			
Home Improvements			
Work-in-progress on contracts			
Cost plus attributable profits		7,677	3,501
Less: progress billings		(8,683)	(3,630)
Excess progress billings on contracts		(1,006)	(129)
Land, Housing and Apartments Developments			
Broadacres			
Land to be subdivided - at cost		3,458	18,028
Borrowing and holding costs capitalised	15(a)	1,347	4,777
Total broadacres		4,805	22,805
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		34,617	17,103
Development costs capitalised		26,688	16,680
Houses and apartments under construction - at cost		18,181	11,695
Borrowing and holding costs capitalised	15(a)	11,929	6,663
Total work-in-progress		91,415	52,141
Completed inventory			
Completed houses and apartments - at cost		23,642	11,643
Completed residential land lots - at cost		10,902	12,687
Borrowing and holding costs capitalised	15(a)	1,473	1,424
Total completed inventory		36,017	25,754
Total current inventories		**131,231**	**100,571**

15. INVENTORIES (continued)

	Note	2011 $'000	2010 $'000
Non-current			
Land, Housing and Apartments Developments			
Broadacres			
Land to be subdivided - at cost		117,444	86,676
Borrowing and holding costs capitalised	15(a)	29,126	23,790
Total broadacres		146,570	110,466
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		90,797	49,707
Development costs capitalised		22,862	59,077
Borrowing and holding costs capitalised	15(a)	19,922	22,341
Total work-in-progress		133,581	131,125
Completed inventory			
Completed houses and apartments - at cost		1,483	-
Completed residential land lots - at cost		3,608	-
Borrowing and holding costs capitalised	15(a)	388	-
Total completed inventory		5,479	-
Total non-current inventories		**285,630**	**241,591**
Total inventories		**416,861**	**342,162**

(a) Borrowing costs are recognised as part of the carrying amount of the qualifying asset. Borrowing costs include interest, fees and costs associated with interest rate derivatives. These costs have been capitalised at a weighted average rate of 13.96% (2010: 13.04%).
(b) Inventory with a book value of $87,772,000 (2010: $87,687,000) had been pledged as security for project specific borrowings (refer to note 24(b)). The Consolidated Entity's remaining inventory has been pledged as security for the main banking facility (refer to note 24(a)).
(c) No inventory write-downs were recognised during the year (2010: $Nil).

16. OTHER CURRENT ASSETS

	2011 $'000	2010 $'000
Prepayments	1,182	1,570
Deposits	118	142
Total other current assets	**1,300**	**1,712**

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2011 $'000	2010 $'000
Investment in Associate - unincorporated	17(a)	1,484	1,614
Interest in Joint Venture Entities - unlisted	17(b)	39,647	39,654
Total equity accounted investments		**41,131**	**41,268**

Investments in Associates are accounted for in accordance with the policy outlined in note 2(g) while Joint Venture Entities are accounted for in accordance with note 2(f).

(a) Investment in Associate

The Consolidated Entity has significant influence over the Associate because it is represented on the project governing body and its employees provide essential technical knowledge to the project. The Associate is an unincorporated partnership which trades in Australia. It has a 30 June year-end and its principal activity is the development and sale of residential lots.

Investment details

	Interest held	
	2011	**2010**
Associate name and principal activity		
Epping JV - Land Development	10%	10%

	2011 $'000	2010 $'000
Movements in carrying amount		
At the beginning of year	1,614	1,423
Distribution received	(370)	(120)
Share of net profit	240	311
At the end of year	**1,484**	**1,614**

Summarised financial information of the Associate

The Consolidated Entity's share of the results of the Associate and its aggregated assets and liabilities are as follows:

	2011 $'000	2010 $'000
Assets	1,624	1,766
Liabilities	140	151
Revenues	1,677	1,084
Profit	240	311

Impairment

The Consolidated Entity's investment in the Associate was not impaired at any time during the year.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investment in Associate (continued)

Share of Associate's commitments and contingent liabilities

The Associate's commitments and contingent liabilities have been entered into on a non-recourse basis and therefore the Consolidated Entity has no exposure to the Associate's commitments and contingent liabilities as at the date of this Report.

The share of contingent liabilities in respect to certain performance guarantees granted by the Associate in the normal course of business to unrelated parties, at 30 June 2011, amounted to $163,968 (2010: $98,967).

(b) Interest in Joint Venture Entities

Investment details

	Interest held	
	2011	**2010**
Joint Venture Entity and principal activities		
Meridan Plains - Land Development and Building Construction	50%	50%
Eastwood - Land Development and Building Construction	50%	50%
Sydney Olympic Park - Commercial Development and Construction	50%	50%
Woodville - Land Development and Building Construction	50%	50%
Arlington Rise - Land Development and Building Construction	45%	-

	2011	**2010**
	$'000	**$'000**
Movements in carrying amount		
At the beginning of year	39,654	38,598
Contributions to the joint venture entities	3,594	243
Distributions received	(4,140)	(1,000)
Dividends received	(1,000)	-
Share of net profit	1,539	1,813
At the end of year	**39,647**	**39,654**

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Interest in Joint Venture Entities (continued)

The Consolidated Entity's share of the Joint Venture Entities' assets (including goodwill), liabilities, revenue and expenses are as follows:

	2011 $'000	2010 $'000
Share of assets and liabilities		
Current assets	39,511	17,404
Non-current assets	31,174	50,685
Total assets	70,685	68,089
Current liabilities	12,970	2,600
Non-current liabilities	18,068	25,835
Total liabilities	31,038	28,435
Net assets	**39,647**	**39,654**
Share of revenue, expenses and results		
Revenues	30,014	19,893
Expenses	(28,032)	(17,172)
Profit before tax	1,982	2,721
Tax	(443)	(908)
Profit after tax	**1,539**	**1,813**

18. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $'000	2010 $'000
Balance Sheet		
Current assets	31,382	31,382
Total assets	194,668	194,668
Current liabilities	19,118	18,751
Total liabilities	19,118	18,751
Shareholders' equity		
Issued capital	121,835	122,578
Reserves		
Share-based payment reserve	323	81
Retained earnings	53,392	53,258
Contributed equity	175,550	175,917
Profit for the year	**135**	**-**
Total comprehensive income	**135**	**-**

(b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 (2010: Nil).

19. CONTROLLED ENTITIES

(a) Investment in controlled entities

The following economic entities are the controlled entities of AVJennings Limited:

	% Equity Interest		Included in Banking Cross Deed of Covenant [2]	
ECONOMIC ENTITY [1]	**2011**	**2010**	**2011**	**2010**
Entities included in the Closed Group				
A.V. Jennings Real Estate Pty Limited	100	100	No	No
AVJennings Real Estate (VIC) Pty Limited	100	100	No	No
AVJennings Holdings Limited^	100	100	Yes	Yes
AVJennings Properties Limited^	100	100	Yes	Yes
Jennings Sinnamon Park Pty Limited	100	100	No	No
Long Corporation Limited^	100	100	Yes	Yes
Orlit Pty Limited^	100	100	Yes	Yes
Sundell Pty Limited^	100	100	Yes	Yes
AVJennings Housing Pty Limited^	100	100	Yes	Yes
AVJennings Housing VIC. Pty Limited*	-	100	N/A	Yes
AVJennings Housing N.S.W. Pty Limited*	-	100	N/A	Yes
AVJennings Housing S.A. Pty Limited*	-	100	N/A	Yes
AVJennings Housing QLD. Pty Limited*	-	100	N/A	Yes
AVJennings Home Improvements S.A. Pty Limited^	100	100	Yes	Yes
AVJennings Mackay Pty Limited^	100	100	Yes	Yes

(1) All entities are incorporated in Australia.
(2) These entities, including AVJennings Limited, are included under the Banking Cross Deed of Covenant referred to in note 24(a).
^ These entities, including AVJennings Limited, are included in the Deed of Indemnity for Surety bond facility referred to in note 24(c).
* These entities were transferred to Sekisui House Australia on 2 August 2010.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

19. CONTROLLED ENTITIES (continued)

(a) Investment in controlled entities (continued)

ECONOMIC ENTITY [1]	% Equity Interest 2011	% Equity Interest 2010	Included in Banking Cross Deed of Covenant [2] 2011	Included in Banking Cross Deed of Covenant [2] 2010
Entities excluded from the Closed Group				
Crebb No 12 Pty Limited	100	100	Yes	Yes
Dunby Pty Limited	100	100	Yes	Yes
Epping Developments Limited	100	100	No	No
Montpellier Gardens Pty Limited	100	100	Yes	Yes
Sirda Pty Limited	100	100	No	No
AVJ ODP Pty Limited	100	100	No	No
AVJennings (Cammeray) Pty Limited	100	100	No	No
AVJennings Syndicate No 2 Limited	100	100	No	No
AVJennings Syndicate No 3 Limited	100	100	No	No
AVJennings Syndicate No 4 Limited	100	100	Yes	Yes
AVJennings Syndicate No 5 Limited[3]	-	100	No	No
AVJennings Syndicate No 6 Limited[3]	-	100	No	No
AVJennings Officer Syndicate Limited	100	100	Yes	Yes
AVJennings Hindmarsh Syndicate Limited[3]	-	100	No	No
AVJennings Properties SPV No 1 Pty Limited	100	100	No	No
AVJennings Properties SPV No 2 Pty Limited	100	100	No	No
AVJennings Properties SPV No 3 Pty Limited	100	100	No	No
AVJennings Properties SPV No 4 Pty Limited	100	100	No	No
AVJennings Wollert Pty Limited	100	100	No	No
AVJ Erskineville Pty Limited	100	100	No	No
AVJ Hobsonville Pty Limited	100	100	Yes	Yes
AVJ SPV No 8 Pty Limited	100	100	No	No
AVJennings Properties SPV No 9 Pty Limited	100	100	No	No
AVJennings SPV No 10 Pty Limited	100	100	No	No
AVJennings Properties SPV No 11 Pty Limited	100	100	No	No
AVJennings Properties SPV No 12 Pty Limited[3]	-	100	No	No
AVJennings Properties SPV No 13 Pty Limited[3]	-	100	No	No
AVJennings Properties SPV No 14 Pty Limited[3]	-	100	No	No
AVJennings Properties SPV No 15 Pty Limited	100	100	No	No
AVJennings Properties SPV No 16 Pty Limited[3]	-	100	No	No
AVJennings Properties SPV No 17 Pty Limited[3]	-	100	No	No
AVJennings Properties SPV No 18 Pty Limited[3]	-	100	No	No

(1) All entities are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited, which has a branch in New Zealand, all entities operate within Australia.
(2) These entities, including AVJennings Limited, are included under the Banking Cross Deed of Covenant referred to in note 24(a).
(3) These entities were deregistered during the year.

(b) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Limited is the ultimate parent entity.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

19. CONTROLLED ENTITIES (continued)

(c) Deeds of cross guarantee

Certain entities within the Group are parties to deeds of cross guarantee under which each controlled entity guarantees the debts of the others. By entering into these deeds, the controlled entities are relieved from the requirement to prepare Financial Statements and Directors' Reports under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/321, 01/1087, 02/248, 02/1017, 04/663, 04/682, 04/1624, 05/542, 06/51, 08/11, 08/255, 08/618 and 09/626) issued by the Australian Securities and Investments Commission (ASIC). Those entities included in the Closed Group are listed in note 19(a). These entities represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deeds of cross guarantee that are controlled by AVJennings Limited, they also represent the "Extended Closed Group".

(d) Class order closed group

Certain controlled entities were granted relief by ASIC (under provisions of Class Orders) from the requirement to prepare separate audited financial statements, where deeds of indemnity have been entered into between the Parent Entity and the Controlled Entities to meet their liabilities as required (refer to note 19(c)).

The Extended Closed Group referred to in the *Directors' Declaration* therefore comprises all of the entities within the Class Order. Certain entities falling outside of the Extended Closed Group are listed in note 19(a), and are therefore required to prepare separate annual financial statements.

The *Consolidated Statement of Comprehensive Income* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2011	**2010**
	$'000	**$'000**
Continuing operations		
Revenues	97,331	196,315
Cost of sales	(56,139)	(164,131)
Other expenses	(34,684)	(28,278)
Profit from continuing operations before income tax	**6,508**	**3,906**
Income tax expense	(5,221)	(4,415)
Profit/(loss) from continuing operations after income tax	**1,287**	**(509)**
Discontinued operations		
Loss from discontinued operations after income tax	(1,707)	(4,629)
Loss for the year	**(420)**	**(5,138)**

19. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Consolidated Statement of Financial Position* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2011	**2010**
	$'000	**$'000**
CURRENT ASSETS		
Cash and cash equivalents	11,017	16,307
Trade and other receivables	60,850	95,849
Inventories	79,494	74,340
Other current assets	1,143	1,703
Assets of disposal group classified as held for sale	-	43,228
Total current assets	**152,504**	**231,427**
NON-CURRENT ASSETS		
Inventories	236,947	167,250
Property, plant and equipment	1,090	1,869
Intangible assets	2,816	2,816
Total non-current assets	**240,853**	**171,935**
Total assets	**393,357**	**403,362**
CURRENT LIABILITIES		
Trade and other payables	-	4,432
Derivative financial instruments	68	509
Interest-bearing loans and borrowings	50,029	62,212
Tax payable	3,540	905
Short-term provisions	3,235	3,565
Liabilities directly associated with the assets classified as held for sale	-	21,966
Total current liabilities	**56,872**	**93,589**
NON-CURRENT LIABILITIES		
Trade and other payables	43,401	11,650
Interest-bearing loans and borrowings	-	14
Deferred tax liabilities	19,341	17,273
Provisions	694	646
Total non-current liabilities	**63,436**	**29,583**
Total liabilities	**120,308**	**123,172**
Net assets	**273,049**	**280,190**
EQUITY		
Equity attributable to equity holders of the parent		
Contributed equity	121,835	122,578
Reserves	323	81
Retained earnings	150,891	157,531
Total equity	**273,049**	**280,190**

19. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Consolidated Statement of Changes in Equity* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2011	**2010**
	$'000	**$'000**
At beginning of the year	280,190	274,821
Changes in equity due to members entering/exiting the closed group	645	747
Loss for the year	(420)	(5,138)
Total income and expenses for the year	225	(4,391)
Equity transactions		
- Treasury shares acquired	(743)	-
- Share-based payment reserve	242	60
- Dividends received from non closed group member	-	9,700
- Dividends paid to equity holders of parent	(6,865)	-
	(7,141)	5,369
At end of the year	**273,049**	**280,190**

20. INTEREST IN JOINT VENTURE OPERATIONS

A number of controlled entities have entered into joint venture operations. Information relating to the Joint Ventures is set out below:

	INTEREST IN OUTPUT	
	2011	**2010**
Joint Venture name and principal activities		
Cammeray Joint Venture - Apartments Development	50%	50%
Cheltenham Joint Venture - Land Development and Building Construction	50%	50%
Hobsonville Joint Venture - Land Development	50%	50%

20. INTEREST IN JOINT VENTURE OPERATIONS (continued)

The Consolidated Entity's interest in the profits and losses of the Joint Venture Operations are included in the *Consolidated Statement of Comprehensive Income*, in accordance with the accounting policy described in note 2(f), under the following classifications:

	2011 $'000	2010 $'000
Revenues	10,364	63
Cost of sales	(8,783)	-
Other expenses	(803)	(312)
Profit / (loss) before income tax	**778**	**(249)**
Income tax (expense) / credit	(233)	75
Net profit / (loss) for the year	**545**	**(174)**

The Consolidated Entity's interest in the assets and liabilities of Joint Venture Operations are included in the *Consolidated Statement of Financial Position*, in accordance with the policy described in note 2(f), under the following classifications:

	2011 $'000	2010 $'000
CURRENT ASSETS		
Cash and cash equivalents	129	314
Trade and other receivables	831	-
Inventories	948	11,000
Other current assets	6	83
Total current assets	**1,914**	**11,397**
NON-CURRENT ASSETS		
Inventories	39,651	29,024
Total non-current assets	**39,651**	**29,024**
Total assets	**41,565**	**40,421**
CURRENT LIABILITIES		
Trade and other payables	127	7,745
Total current liabilities	**127**	**7,745**
NON-CURRENT LIABILITIES		
Trade and other payables	12,555	11,650
Total non-current liabilities	**12,555**	**11,650**
Total liabilities	**12,682**	**19,395**
Net assets	**28,883**	**21,026**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

21. PROPERTY, PLANT AND EQUIPMENT

	2011 $'000	2010 $'000
Leasehold improvements		
At cost	789	1,967
Less: accumulated depreciation	(587)	(1,493)
Total leasehold improvements	**202**	**474**
Plant, equipment and motor vehicles		
At cost	8,222	11,551
Less: accumulated depreciation	(7,366)	(10,371)
Total plant and equipment	**856**	**1,180**
Motor vehicles under finance lease		
At cost	45	407
Less: accumulated amortisation	(16)	(195)
Total motor vehicles under finance lease	**29**	**212**
Total property, plant and equipment	**1,087**	**1,866**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below:

For the year ended 30 June 2010	**Note**	**Leasehold improve-ments $'000**	**Plant, equipment and motor vehicles $'000**	**Leased motor vehicles $'000**	**Total $'000**
Carrying amount at 1 July 2009		921	3,130	1,156	5,207
Additions		37	719	-	756
Disposals		(86)	(359)	(411)	(856)
Depreciation/amortisation charge for the year	5	(222)	(895)	(276)	(1,393)
Depreciation on assets held for sale		-	(15)	-	(15)
Assets reclassified as assets held for sale		(176)	(1,400)	(257)	(1,833)
Carrying amount at 30 June 2010		**474**	**1,180**	**212**	**1,866**
For the year ended 30 June 2011					
Carrying amount at 1 July 2010		474	1,180	212	1,866
Additions		21	636	-	657
Disposals		(192)	(635)	(123)	(950)
Depreciation/amortisation charge for the year	5	(101)	(325)	(60)	(486)
Carrying amount at 30 June 2011		**202**	**856**	**29**	**1,087**

22. INTANGIBLE ASSETS

	Note	2011 $'000	2010 $'000
Brand name at cost		9,868	9,868
Less: accumulated amortisation		(7,052)	(7,052)
Total intangible assets		**2,816**	**2,816**

Reconciliation

Reconciliation of the carrying amount of the intangible asset at the beginning and end of the year is set out below:

	Note	2011 $'000	2010 $'000
Carrying amount at beginning of year		2,816	3,062
Amortisation charge for the year	5	-	(246)
Carrying amount at end of year		**2,816**	**2,816**

The intangible asset relates to the value of the "AVJennings" brand name which was acquired as part of a business combination in 1995. On recognition, the asset was determined to have a finite life of 20 years and has since been amortised over the expected useful life. In accordance with the accounting policy discussed in note 2(k), the amortisation period and the amortisation method for an intangible asset are reviewed at least each financial year-end. A review carried out at 31 December 2009 determined that the brand name has indefinite useful life. This change in accounting estimate has been applied prospectively with amortisation ceasing as of 31 December 2009.

The brand name is tested for impairment annually, or more frequently if there are indicators of impairment. At 30 June 2011, there were no indicators of impairment.

23. TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Current		
Secured		
Land creditors	5,300	-
Unsecured		
Land creditors	23,235	13,959
Trade creditors	10,380	8,982
Related party payables	2,300	-
Other creditors and accruals	7,270	11,347
	43,185	34,288
Total current payables	**48,485**	**34,288**
Non-Current		
Secured		
Land creditors	5,600	-
Unsecured		
Land creditors	37,800	11,650
Total non-current payables	**43,400**	**11,650**

Land creditors

The amounts due to secured land creditors are secured over the title to properties acquired by way of either mortgage back or bank guarantee in favour of the land vendor. These security arrangements remain in place until final settlement of the amounts due to the land vendor. Titles for the unsecured land creditors only transfer to the Consolidated Entity on full payment of the amount outstanding or upon provision of some other security.

Related party payables

For terms and conditions relating to related party payables, refer to note 34.

Fair value

Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

24. INTEREST- BEARING LOANS AND BORROWINGS

	Note	2011 $'000	2010 $'000
Current			
Secured			
Bank loans		62,500	67,000
Unsecured			
Lease liabilities	31(b)	29	212
Total current interest-bearing liabilities		**62,529**	**67,212**
Non-current			
Secured			
Bank loans		6,619	15,000
Unsecured			
Lease liabilities	31(b)	-	14
Total non-current interest-bearing liabilities		**6,619**	**15,014**

Financing arrangements

The Consolidated Entity has access to the following lines of credit:

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2011				
Main banking facilities	24(a)			
- bank overdraft		2,200	-	2,200
- bank loans		137,800	50,000	87,800
- performance bonds and other non-cash facilities [(1)]		31,000	16,298	14,702
		171,000	**66,298**	**104,702**
Project funding	24(b)			
- bank loans		33,500	19,119	14,381
- performance bonds and other non-cash facilities		23,500	17,669	5,831
		57,000	**36,788**	**20,212**
Surety bond facility	24(c)			
- performance bonds		**10,000**	**1,139**	**8,861**
Leasing facilities	24(d)	**1,200**	**29**	**1,171**

(1) At 30 June 2011 these facilities are interchangeable up to $5 million (2010: $10 million) between the bank loans and performance bonds/other non-cash facilities.

24. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Financing arrangements (continued)

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2010				
Main banking facilities	24(a)			
- bank overdraft		2,200	-	2,200
- bank loans		137,800	62,000	75,800
- performance bonds and other non-cash facilities		31,000	19,706	11,294
		171,000	**81,706**	**89,294**
Project funding	24(b)			
- bank loans		31,000	20,000	11,000
- performance bonds and other non-cash facilities		5,000	-	5,000
		36,000	**20,000**	**16,000**
Leasing facilities	24(d)	**1,200**	**482**	**718**

Significant terms and conditions

(a) Main banking facilities

The main banking facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Consolidated Entity, other than those assets pledged as security for project funding (see note 24(b)), and those assets pledged as security for properties acquired as detailed in note 23 (secured land creditors). The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee obligations of those entities in relation to the main banking facilities. Details of entities included in the cross deed of covenant are set out in note 19. There is no overdraft utilisation at year-end and the current interest rates on the bank loans range from 6.88% to 7.07% (2010: 7.28% to 7.30%).

The Consolidated Entity's main banking facilities which were due to mature on 30 September 2011 have been renewed for a further 2 years to 30 September 2013. Documentation is in the process of being completed and is expected to be signed by 30 September 2011. The renewed main banking facilities will be secured by a fixed and floating charge over all the assets and undertakings of the entities within the Consolidated Entity as mentioned above, and by first registered mortgages over various real estate inventories other than those assets pledged as security for project funding (see note 24(b)) and secured land creditors (see note 23).

24. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(a) Main banking facilities (continued)

The renewed facilities are expected to be sufficient for the Consolidated Entity's normal ongoing business operations. The renewed main banking facilities currently being documented are:

	Facilities as at 30 June 2011 $'000	Facilities Renewed $'000
Main banking facilities		
- bank overdrafts	2,200	5,000
- bank loans	137,800	134,000
- performance bonds and other non-cash facilities	31,000	33,600
Total facilities	**171,000**	**172,600**

(*b) Project funding*

Project funding facilities are secured by:

- fixed and floating charge over all assets and undertakings of the entity involved in the relevant project, namely, AVJennings Wollert Pty Limited;
- first registered mortgage over the real estate inventories of the entity involved in the relevant project, namely, AVJennings Wollert Pty Limited;
- fixed and floating charge over the assets and undertakings of a related company involved in the relevant project, namely, St Clair JV Nominee Pty Limited;
- deed of mortgage over the shares held by the relevant entity, namely, AVJennings Properties SPV No 4 Pty Limited, in a related company, namely, St Clair JV Nominee Pty Limited; and
- fixed and floating charge over the assets and undertakings, including project rights, of a relevant entity, namely, AVJennings Properties SPV No 4 Pty Limited.

At 30 June 2011 the facilities shown are interchangeable up to $5,000,000 (2010: $5,000,000) between the bank loans and performance bonds/other non-cash facilities. The lines of credit shown are maximum limits which are available progressively as projects are developed. The expiry dates for the facilities are between February 2014 and March 2014. Individual projects are expected to be completed and the outstanding amounts repaid or refinanced prior to expiry of each facility. As at 30 June 2011, the balance outstanding on these facilities was $19,119,000 (2010: $20,000,000).

	2011 $'000	2010 $'000
The carrying amounts of the pledged assets are as follows:		
Wollert, Victoria	47,211	47,663
Cheltenham, South Australia	41,509	40,361

The weighted average interest rate on the project funding loans at the year-end was 6.07% (2010: 6.03%).

(c*) Surety bond facility*

The Consolidated Entity has entered into a Surety bond facility of $10,000,000 (2010: $Nil). The Surety bond facility is subject to review annually. The next review is due by 30 April 2012. The Surety bond facility is secured by a Deed of Indemnity between the Parent Entity and various controlled entities. Details of the controlled entities, included in the Deed of Indemnity are set out in note 19.

24. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(d) Leasing facilities

No separate security has been provided by the Consolidated Entity in relation to lease liabilities. The rights to the leased assets revert to the lessor in the event of default. The facility was due to mature on 30 September 2011. A renewed facility of $1,200,000 has been approved by its bankers for a further 2 years to 30 September 2013. Documentation is in the process of being completed and is expected to be signed by 30 September 2011. The current interest rates on finance leases range from 8.95% to 9.36% (2010: 6.51% to 10.14%). The lease terms are 36 months.

(e) Interest rate hedge instruments

The Consolidated Entity manages the cash flow effect of interest rate risk by entering into interest rate cap and interest rate swap contracts.

Interest rate cap contracts are entered into for a principal Australian Dollar amount by paying an upfront premium that covers a specific period. The strike rates for these contracts are benchmarked against the BBSY bid rate (*Australian Bank Bill Swap Reference Rate - Average Bid Rate*) on a quarterly basis. Settlement occurs quarterly, in favour of the Consolidated Entity, should the BBSY bid rate be above the cap strike rate (movements in the variable rate are directly proportional to movements in the BBSY bid rate).

Under the interest rate swaps, at the end of every quarter, the Consolidated Entity and the counterparty agree to exchange the difference between the interest calculated by applying the fixed contract rates and that calculated by applying the BBSY bid rate to the principal Australian Dollar amounts.

Details of interest rate derivative contracts are as follows:

Type of derivative	Expiry Date	Strike Rate %	Fixed Rate %	Principal Amount 2011 $'000	Principal Amount 2010 $'000
Interest rate cap	14 January 2013	5.35	-	7,500	-
Interest rate cap	14 January 2013	5.39	-	7,500	-
Interest rate swap	14 January 2013	-	5.35	7,500	-
Interest rate swap	14 January 2013	-	5.39	7,500	-
Interest rate cap	1 July 2010	7.75	-	-	65,000
Interest rate swap	1 July 2010	-	7.60	-	35,000
Interest rate swap	1 July 2010	-	7.62	-	30,000

25. TAX PAYABLE

	2011 $'000	2010 $'000
Income tax payable	**3,540**	**905**

26. DEFERRED TAX LIABILITIES

	2011 $'000	2010 $'000
The provision for deferred income tax is made up as follows:		
- capitalisation of development costs	19,542	17,951
- accrued income	-	713
- prepayments, accruals/provisions and investments	(850)	(1,958)
- brand name	845	845
- unrealised loss on interest derivatives	(21)	(153)
Deferred tax liabilities	**19,516**	**17,398**

Reconciliations

Reconciliations of the carrying amount of the deferred tax liability at the beginning and end of the year are set out below:

	2011 $'000	2010 $'000
Carrying amount at beginning of year	17,398	15,651
Arising temporary differences	2,118	1,747
Carrying amount at end of year	**19,516**	**17,398**

Tax losses

The Consolidated Entity has capital tax losses of $1,013,526 (2010: $1,013,526) which are available indefinitely for offset against future capital gains subject to satisfaction of the relevant statutory tests.

27. PROVISIONS

	2011 $'000	2010 $'000
Current		
Employee benefits	2,739	2,915
Other	496	650
Total current provisions	**3,235**	**3,565**
Non-current		
Employee benefits	694	646
Total non-current provisions	**694**	**646**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

28. CONTRIBUTED EQUITY

	Note	2011 Number	2010 Number	2011 $'000	2010 $'000
Ordinary shares	28(a)	274,588,694	274,588,694	122,837	122,837
Treasury shares	28(b)	(1,708,786)	(666,667)	(1,002)	(259)
Share capital				**121,835**	**122,578**

(a) Movement in ordinary share capital	***Number***	***Number***	**$'000**	**$'000**
As at the beginning of the year	274,588,694	274,588,694	122,837	122,837
As at the end of the year	**274,588,694**	**274,588,694**	**122,837**	**122,837**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are currently no unexercised or outstanding options. No options were exercised during the year.

(b) Movement in treasury shares	**2011** ***Number***	**2010** ***Number***	**2011** **$'000**	**2010** **$'000**
As at the beginning of the year	(666,667)	(1,000,000)	(259)	(259)
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	(1,375,452)	-	(743)	-
Employee share scheme issue	333,333	333,333	-	-
	(1,042,119)	333,333	(743)	-
As at the end of the year	**(1,708,786)**	**(666,667)**	**(1,002)**	**(259)**

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 via the AVJ Deferred Employee Share Plan.

The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares.

28. CONTRIBUTED EQUITY (continued)

(c) Capital Risk Management

When managing capital, management's objective is to ensure that the Consolidated Entity continues as a going concern. Management also aims to maintain an optimal capital structure that reduces the cost of capital.

In order to maintain or adjust the capital structure, management may change the amount of dividends paid to shareholders, offer a dividend reinvestment plan, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2011, a total dividend of $6,865,000 was paid (2010: $Nil).

Management monitors the capital mix through the debt to equity ratio (net debt/total equity) and the debt to total assets ratio (net debt/total assets). Based on continuing operations of the Consolidated Entity, these ratios are as follows:

	2011 $'000	**2010 $'000**
Interest-bearing loans and borrowings *	69,119	82,000
Less: cash and cash equivalents	(12,260)	(24,110)
Net debt	56,859	57,890
Total equity	304,528	299,418
Total assets	492,614	472,571
Net debt to equity ratio	**18.7%**	**19.3%**
Net debt to total assets ratio	**11.5%**	**12.3%**

* Excludes leased liabilities amounting to $29,000 (2010: $226,000).

29. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Total $'000
At 1 July 2009	**1**	**21**	**22**
Foreign currency translation	(1)	-	(1)
Share-based payment	-	60	60
At 30 June 2010	**-**	**81**	**81**
Foreign currency translation	(417)	-	(417)
Share-based payment	-	242	242
At 30 June 2011	**(417)**	**323**	**(94)**

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of subsidiaries which have functional currency different to the Australian dollar. Refer to note 2(ab).

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of shares issued to employees. Refer to notes 2(s) and 7(d) for further details of the plan.

(c) Retained earnings

	2011 $'000	2010 $'000
Movements in retained earnings were as follows:		
At the beginning of the year	176,759	167,143
Net profit for the year	12,893	9,616
Dividends	(6,865)	-
At the end of the year	**182,787**	**176,759**

30. CASH FLOW STATEMENT RECONCILIATION

	2011 $'000	2010 $'000
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax	12,893	9,616
Adjustments for:		
Depreciation	426	1,117
Depreciation - Discontinued operations	-	15
Amortisation	60	522
Net loss on disposal of property, plant and equipment	15	224
Interest income classified as investing cash flow	(907)	(567)
Share of profits of associates and joint venture entities	(1,779)	(2,124)
Share-based payments expense	242	60
Fair value adjustment to derivatives	(441)	(2,856)
Change in operating assets and liabilities:		
(Increase)/decrease in inventories	(70,948)	63,811
(Increase)/decrease in trade and other receivables	3,288	(180)
Decrease in prepayments and deposits	352	2,655
Increase in deferred tax liability	1,990	1,747
Increase in current tax liability	2,635	905
Increase/(decrease) in trade and other payables	35,004	(10,347)
Decrease in provisions	(282)	(1,467)
Increase in net operating assets held for sale	-	(19,685)
Net cash flows from (used in) operating activities	**(17,452)**	**43,446**
Non-cash financing and investing activities		
Property, plant and equipment held for sale	-	(1,833)
Lease liability associated with assets held for sale	-	256

31. COMMITMENTS

(a) Capital commitments

Conditional contracts for the acquisition of land which have not yet been recognised in the Financial Statements are as follows:

	2011 $'000	2010 $'000
Within one year	5	5
Total expenditure commitments	**5**	**5**

(b) Finance lease commitments – Consolidated Entity as lessee

Finance leases are employed as a means of funding the acquisition of employer provided motor vehicles. Lease payments are generally fixed. Where leases have renewal or purchase options, they are exercisable at market prices. No finance lease arrangements create restrictions on other financing transactions.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Note	2011 $'000	2010 $'000
Finance leases			
Analysis of finance lease commitments			
Minimum lease payments			
Within one year		30	224
After one year, but not more than five years		-	15
Total minimum lease payments		**30**	**239**
Less amounts representing finance charges			
Within one year		(1)	(12)
After one year, but not more than five years		-	(1)
Total finance charges		(1)	(13)
Present value of minimum lease payments		**29**	**226**
Present value of lease payments			
Within one year	24	29	212
After one year, but not more than five years	24	-	14
Total present value of minimum lease payments		**29**	**226**

The Consolidated Entity has no finance lease arrangements where the Consolidated Entity is the lessor.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

31. COMMITMENTS (continued)

(c) Operating lease commitments – Consolidated Entity as lessee

Operating leases include property, display homes, computer equipment leases and leases for motor vehicles provided under novated leases. Certain property leases include inflation escalation and market review clauses. No renewal or purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2011 are as follows:

	2011 $'000	2010 $'000
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	844	3,126
After one year, but not more than five years	1,082	1,558
Total operating leases	**1,926**	**4,684**
Represented by:		
Non-cancellable operating leases	1,926	3,818
Cancellable operating leases	-	866
Total operating leases	**1,926**	**4,684**

(d) Operating lease commitments – Consolidated Entity as lessor

Operating leases include property leases.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2011 are as follows:

	2011 $'000	2010 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as assets:		
Within one year	-	17
Total operating leases	**-**	**17**

32. CONTINGENCIES

Unsecured

Cross guarantees

The Parent Entity has entered into deeds of cross guarantee in respect of the debts of certain of its controlled entities as described in note 19.

Banking facilities

The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee the obligations of those entities in relation to the banking facilities. Details of these entities are set out in note 19.

Surety 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 Surety bond facility. Details of these entities are set out in note 19. Contingent liabilities in respect of certain performance bonds, granted by the Consolidated Entity's financiers, in the normal course of business as at 30 June 2011, amounted to $1,139,000 (2010: $Nil). No liability is expected to arise.

Legal issues

From time to time a controlled entity defends actions served on it in respect of rectification of building faults and other issues. It is not practicable to estimate the amount, if any, which the entity could be liable for in this respect. The Directors anticipate that the resolution of any such matters currently outstanding will not have a material effect on the Consolidated Entity's results.

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Consolidated Entity bankers in the normal course of business to unrelated parties, at 30 June 2011, amounted to $18,304,000 (2010: $18,836,000). No 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 30 June 2011, amounted to $15,663,000 (2010: $871,000). No liability is expected to arise.

33. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Other than matters relating to the renewal of main banking facilities detailed in note 24(a), no matter or circumstance has arisen since 30 June 2011 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.

34. RELATED PARTY DISCLOSURES

(a) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Limited (incorporated in Singapore) is the ultimate parent entity.

(b) Share and share option transactions with Directors and Director-related entities

The aggregate number of shares and options held at the reporting date either directly or indirectly or beneficially by the Directors or by an entity related to those Directors of AVJennings Limited are as follows:

	Owned by Directors directly, or indirectly or beneficially	
	2011 Number	**2010 Number**
Fully paid ordinary shares	138,641,704	138,308,371

Directors and Director-related entities received normal dividends on these ordinary shares.

(c) Entity with significant influence over AVJennings Limited

137,370,023 ordinary shares equating to 50.03% of the total ordinary shares on issue (2010: 137,370,023 & 50.03% respectively) were held by SC Global Developments Limited and its associates in the Parent Entity at 30 June 2011. Certain Directors of SC Global Developments Limited are also Directors of AVJennings Limited. Details of Directors' interests in the shares of the Parent Entity are set out in the *Directors' Report*.

(d) Parent Entity amounts receivable from and payable to controlled entities

At 30 June 2011, the Parent Entity has not set up any provisions against debts owed by related parties as recoverability is considered probable (2010: $Nil). An impairment assessment is undertaken each financial year-end to determine whether there is objective evidence that a related party receivable is impaired. If evidence of impairment exists, the impairment loss is recognised immediately.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011

34. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	Note	2011 $	2010 $
Entity with significant influence over the Consolidated Entity:			
SC Global Developments Limited			
Consultancy fee paid/payable	(i)	600,000	663,712
Reimbursement of sundry expenses	(ii)	9,552	7,612
Associate:			
Epping JV			
Management fee received/receivable		527,386	1,162,833
Joint Ventures:			
Meridan Plains			
Management fee received/receivable		419,736	586,253
Accounting services fee received/receivable		50,000	50,000
Eastwood			
Management fee received/receivable		1,768,632	1,262,976
Accounting services fee received/receivable		50,000	50,000
Arlington Rise			
Management fee received/receivable		367,440	-
Woodville			
Licence fees paid to access land		2,274,162	-
Dividends received		1,000,000	-

(i) Consultancy fees paid to SC Global Developments Limited of $600,000 (2010: $600,000 consultancy fees paid to SC Global Developments Limited and $63,712 consulting fees paid to Chartwell Management Services Pty Limited of which a Director, BG Hayman is the Chairman).
(ii) Overseas airfares reimbursed for HR Hochstadt and B Chin to attend meetings in Australia.

(f) Joint ventures in which related entities in the Consolidated Entity are venturers

Joint ventures in which the Consolidated Entity has an interest are set out in note 17 and note 20.

(g) Outstanding balances arising from provision of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

	2011 $'000	2010 $'000
Current receivables		
Joint Ventures	6,014	4,208

34. RELATED PARTY DISCLOSURES (continued)

(h) Loans from related party

	2011 $'000	2010 $'000
Loan received		
Joint Venture	2,000	-

(i) Terms and conditions of transactions with related parties

Transactions with related parties are made at arm's length both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free, at call and settlement occurs in cash.

35. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

Total expenses arising from share-based payment transactions were recognised by AVJennings Properties Limited. The amount recognised as part of employee benefit expenses is shown in the table below:

	2011 $'000	2010 $'000
Expense arising from equity-settled share-based payment transactions	242	60
Total expense arising from share-based payment transactions	**242**	**60**

The share-based payment plan is described in note 35(b). There have been no cancellations or modifications to the plan during 2011.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

35. SHARE-BASED PAYMENT PLANS (continued)

(b) Type of share-based payment plan

AVJ Deferred Employee Share Plan

The AVJ Deferred Employee Share Plan (the Plan) was formed to administer the employee share scheme. The Plan operates schemes under which shares may be acquired by the Plan Trustee on behalf of employees for no cash consideration subject to certain vesting conditions being satisfied. Shares acquired under the Plan for employees are acquired on-market. Employees may elect not to participate in the scheme. Shares held by the Plan's trust and not yet allocated to employees at the end of the reporting period are shown as treasury shares in the financial statements.

Share-based compensation benefits are provided to Executives via the Plan. These equity-settled transactions are measured at fair value at the grant date. The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period and the credit taken to share-based payment reserve in equity.

Vesting subject to service condition only

The Chief Executive Officer was granted 1,000,000 shares on 7 March 2009 which vest in equal proportions on the first, second and third anniversary of his appointment. The vesting dates are 19 February 2010, 19 February 2011 and 19 February 2012. The market value of the shares at the grant date is taken to be the fair value. The service condition is the continuity of employment over the 3 years. The unvested shares are held by the AVJ Deferred Employee Share Plan Trust.

Vesting subject to both service and performance conditions

A total of 1,375,452 shares were granted on 28 September 2010 to certain executives. These shares are subject to both service and performance conditions and will vest to the extent that each of these conditions is satisfied.

The service vesting condition is that the employee must still be employed by AVJennings at 30 September 2013, except in the event of death or permanent disablement in which case the shares will vest to the estate. In the event that the employee is retrenched, the shares may vest subject to certain conditions.

The performance vesting conditions include the achievement of an Earnings Per Share (EPS) hurdle and a Total Shareholder Return (TSR) hurdle. The fair value of the EPS element of the shares is the market value at grant date. The Monte Carlo Model is used to fair value the TSR element. The Model simulates AVJennings TSR and compares it against the ASX Small Industrials Retail Index. The Model takes into account historic dividends, share price volatilities and the risk-free yield on an Australian Government Bond at the grant date matching the remaining effective life of 3 years.

Directors' Declaration

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

1) In the opinion of the Directors:

   i) the Financial Statements and Notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including;

      a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

      b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;

   ii) the Financial Statements and Notes also comply with International Financial Reporting Standards as disclosed in note 2; and

   iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

3) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Consolidated Entity identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Simon Cheong
Director
28 September 2011

Peter Summers
Director

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the members of AVJennings Limited

Report on the financial report

We have audited the accompanying financial report of AVJennings Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Opinion

In our opinion:

a. the financial report of AVJennings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

David Simmonds
Partner
Sydney
28 September 2011

Corporate Governance Statement
For the year ended 30 June 2011

This Corporate Governance Statement indicates the Company's conformance with the Australian Securities Exchange's ("ASX") Corporate Governance Council's, "Corporate Governance Principles and Recommendations" (2nd Edition), as required by the ASX Listing Rules.

The AVJennings Corporate Governance Statement is structured with reference to the ASX recommendations. Areas of non compliance will be disclosed under the relevant principle. All corporate practices within this Report were in place for the entire year unless otherwise indicated. This Statement refers to documents that support the Company's Corporate Governance framework and it is posted in the Corporate Governance section on the Company's website: **www.avjennings.com.au**.

Principle 1:
Lay solid foundations for management and oversight by the Board

Recommendation 1.1 of the ASX Corporate Governance Principles requires the Company to establish and disclose the functions reserved for the Board and those delegated to management. The roles and responsibilities of the Company's Board, Board Committees and senior management have been established through Board approved Charters, which have been operational throughout the period and are disclosed on the Company's website at **www.avjennings.com.au**.

All persons who are invited and agree to act as a Director of the Company do so by a formal letter of consent.

To assist it in carrying out its responsibilities, the Board has established several standing Board Committees of its members. Director appointments to Board Committees are by formal resolutions of the Board. The Chairman of each Committee reports on any matters of substance at the next full Board Meeting. Membership of Board Committees and attendance at Board and Committee meetings is tabulated in the *Director's Report*.

The Board Committees are:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investments Committee
- Risk Management Committee (incorporating the Occupational Health, Safety and Environment sub-committee)

The roles and responsibilities of the Chief Executive Officer and senior management are established through key performance objectives. They are assessed against those objectives on an annual basis, or more frequently if that is indicated. During the period, the Nominations Committee has reviewed the performance of Board members.

The Remuneration Committee monitors the performance of the Chief Executive Officer. It also monitors the performance of the Chief Financial Officer and the Company Secretary in consultation with the Chief Executive Officer. The Chief Executive Officer assesses the performance of senior management and these assessments are reviewed by the Remuneration Committee. The process for evaluating the performance of senior executives is set out in the Remuneration Report.

The Board has also approved financial delegations and personnel delegations which cover specific areas of delegated responsibility to the Managing Director and senior management.

During the period, the Board has considered broad Corporate Governance matters, including the continuing relevance of existing committees and its own performance and reaffirmed its belief that the Committee structures provided sound oversight of Management, by the Board.

Principle 2:
Structure the Board to add value

Directors
The Company's Constitution and Section 201A of the *Corporations Act 2001* stipulate that a public company must have at least three Directors.

The Board has adopted guidelines concerning its composition. For the time being, the Board has determined that there shall be at least five Directors, increasing where additional expertise is required. The current Directors of the Company are listed in the *Directors' Report* with a brief description of their qualifications, experience, special responsibilities and status as Executive, Non-Executive or Independent Director.

The Board includes both Executive and Non-Executive Directors with a majority of Non-Executive Directors. The Non-Executive Directors include both independent and non-independent Directors. There is a strong element of independence on the Board, with four of the six Non-Executive Directors being independent, determined in accordance with the ASX guidelines on independence. The other two Non-Executive Directors, who represent SC Global Developments Limited, a substantial shareholder, have no involvement in the operational management of the Company. The Managing Director is an Executive Director.

The Chairman of the Board is selected by the full Board. The current Chairman of the Board, Mr Simon Cheong, is also Chairman of the Board of a substantial shareholder, SC Global Developments Limited. Although there is no lead Independent Director as recommended by the ASX Principles, the Deputy Chairman, Mr Jerome Rowley, is an Independent Director. The roles of the Chairperson and Chief Executive Officer are exercised by different individuals.

The Board meets around seven times a year either in person or by teleconference. Meeting venues are planned to enable Directors to familiarise themselves with major development projects. A formal agenda is in place for each meeting.

New Directors are inducted individually on the Company's financial, strategic, operational and risk management positions. Directors have access to Company records and information through the Company Secretary and other relevant senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time.

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required but this may not be unreasonably withheld. Any advice obtained is made available to the Chairman.

Nominations Committee
The Board has a Nominations Committee, comprising three Independent Directors, Mr RJ Rowley, Mr HR Hochstadt, and Mr BG Hayman and two Non-Executive Directors, Mr S Cheong and Mrs E Sam, who is also Chairperson of the Committee.

The Nominations Committee Charter sets out its role, responsibilities, composition, structure, membership requirements and guidelines and is posted on the Corporate Governance section of the Company's website. The purpose of the Committee is to consider the performance of Directors and the appointment of new Directors. The Committee may make use of external consultants if that is deemed appropriate. The Committee meets at least annually.

Company Secretary
The Board appoints the Company Secretary and all Directors have access to the Company Secretary. Details of the Company Secretary's experience and qualifications are set out in this Report.

The role of the Company Secretary is to support the effectiveness of the Board by monitoring and advising the Board on its Corporate Governance responsibilities by means of its charters, procedures and updates on legislation and regulation. The Company Secretary is also responsible for lodgements with relevant regulators, management of dividend payments and/or Dividend Reinvestment Plan allotments and management of the relationship between shareholders and the share registry.

Principle 3:
Promote ethical and responsible decision making

Code of Conduct
The Company has a Code of Conduct which sets out the behaviour required of all Board members, senior management, employees and contractors throughout the period. The content of the Code is integrated into management practices and forms part of the terms of employment of all Company employees. The Code, which is disclosed on the Company's website, provides a mechanism to employees to report breaches of the Code without fear of retribution. Senior management deals with breaches of the Code and monitors compliance. The Company Secretary and the Chief Executive Officer report to the Board and the Audit Committee on various aspects of Code Compliance.

Dealing in AVJennings' shares
The Company's Securities Trading Policy places restrictions on the ability of Directors, officers and employees to trade in the Company's shares during specified restricted "black out" periods. The restrictions are designed to minimise the risk of actual or perceived insider trading.

Principle 4:
Safeguard integrity in financial reporting

Audit Committee
The Company has an Audit Committee comprising of two Independent Directors, Mr B Chin (who is a Chartered Accountant and is also the Chairman of the Committee), Mr RJ Rowley and one Non-Executive Director, Mrs E Sam. The Chairman of the Committee is a different individual to the Chairman of the Board. The Audit Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Corporate Governance section of Company's website.

All other members of the Board are invited to attend Audit Committee meetings as observers and in a non voting capacity. Usually, all Board members attend all Audit Committee meetings either as members or observers. The Audit Committee papers, including the minutes of the previous Committee Meetings, are sent to all Board members.

The Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Auditor and the External Auditor attend Audit Committee meetings at the discretion of the Committee. The Committee also meets privately with the External Auditor at least once a year and usually twice per year, without management being present. In addition, the Internal Auditor reports directly to the Audit Committee and the Committee meets privately with the Internal Auditor at least once per year.

The Minutes of each Committee meeting are circulated after the meeting and the signed minutes tabled at the subsequent meeting of the Committee. The Chairman of the Committee is available to report on or answer questions about the Committee's conclusions and recommendations to the Board. The Committee meets at least three times during the year.

Audit Governance
The Company has a policy on the provision of auditing and related services. The Committee is satisfied with the independence of the External Auditor.

During the reporting period, the Company had its 2010 Annual Report and Audit Committee Charter posted on its website. The Annual Report has details of the Audit Committee's membership and the number of meetings held and attended.

Financial Reporting
The Board receives regular reports about the financial condition and operational results of the Company throughout the year. In relation to the half year and annual Financial Statements, senior management is required to sign off on the systems and processes within their area of responsibility. This procedure supports the Managing Director and Chief Financial Officer in their certification to the Board in effect stating that the Company's accounts present a true and fair view, in all material aspects, of the Company's financial condition and operational results and accord with the relevant accounting standards.

Principle 5:
Make timely and balanced disclosure

A continuous disclosure regime operates throughout the Group. Policies and Procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX and Singapore Exchange (SGX) in a timely manner. These policies and procedures have been formally communicated to all relevant staff. The Company Secretary is the nominated Continuous Disclosure Officer. The Board is advised of any notifiable events. The Board approves, or is advised of, all releases that are made to the ASX and the SGX. All announcements made by the Company are posted on the Company's website in the "Shareholder" section.

Principle 6:
Respect the rights of Shareholders

The Company endeavours to keep its Shareholders fully informed of matters likely to be of interest to them. It does this through:

- Reports to the ASX, SGX and the press;

- Half and full year profit announcements;
- Annual Reports;
- Investor briefings and information provided to analysts, (which are released to the ASX and SGX prior to being provided to the analysts);
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules and notification of the same information to the SGX; and
- Posting all the above and any other notifications made by the Company to Shareholders, on its website.

The Company's website – **www.avjennings.com.au** has a section titled "Shareholders" with sub sections on:

- The Company's previous Annual Financial Reports and Half Yearly Reports;
- The Company's share price on the ASX- provided by a link to the ASX web site;
- Announcements made to the ASX and SGX;
- Copies of investor presentations;
- Corporate Governance Charters and Policies including a Shareholder Communication Policy;
- Terms and conditions of the Company's Dividend Reinvestment Plan; and
- Media releases.

At the Annual General Meeting, the Chairman encourages questions and comments from Shareholders and seeks to ensure the Meeting is managed to give the maximum number of Shareholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Chief Executive Officer or another appropriate member of senior management.

The External Auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Principle 7:
Recognise and manage risk

The Board has ultimate responsibility for risk management, compliance and control functions across the Group. These functions are aligned with the Company's strategy and business objectives.

The Company has in place internal controls intended to identify and manage significant business risks. These include the review of development proposals and the management of their ongoing performance. Management prepares the Risk Management Plan and the Board is responsible for reviewing and approving it.

The Board has established a Risk Management Committee, which incorporates a sub-committee responsible for occupational health, safety and environmental matters. The Committee comprises two Independent Directors Mr RJ Rowley (Chairman) and Mr BG Hayman and generally meets quarterly. The Committee is supported by the Chief Executive Officer, Chief Financial Officer and the Company Secretary. The Risk Management Committee is responsible for identifying and considering new risks and for monitoring management's implementation of the Risk Management Plan, taking the Internal Auditor's review into account.

The Company's assets are insured under a comprehensive insurance program which is reviewed annually.

The Company also has an Investments Committee comprising one Non-Executive Director, Mr S Cheong, two Independent Directors, Mr BG Hayman and Mr RJ Rowley and one Non-Director member, Mr David Tsang. The Committee considers all major land development acquisition and disposal proposals that are over monetary limits delegated to management. It also conducts a pre-commencement review and ongoing project reviews during the life of all development projects.

The Chief Executive Officer and the Chief Financial Officer are required to provide the Board with a written statement in accordance with section 295A of the *Corporations Act* to the effect that:

- The integrity of the Financial Statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

- The Company's risk management and internal compliance and control system, in so far as it relates to financial risk, is operating efficiently and effectively in all material respects.

Principle 8:
Remunerate fairly and responsibly

The Board has established a Remuneration Committee to review and determine, among other things, remuneration policies and packages applicable to any Executive Directors, the Company Secretary and direct reports to the CEO. It also reviews remuneration to senior managers of the Company and the remuneration policies of the Company. The Committee meets at least annually and usually twice per year and its Charter is available on the Company's web site under the Corporate Governance Section.

The Committee consists of two Non-Executive Directors, Mrs E Sam (Chairperson) and Mr S Cheong, and two Independent Directors, Mr HR Hochstadt and Mr BG Hayman. The Board is of the view that the Committee, which consists entirely of Non Executive Directors, albeit without an independent majority or Chairperson, is structured appropriately to perform its functions in reviewing the remuneration of Company executives and staff.

The Committee reviews and reports to the Board on:

- Conditions of service and remuneration of the Chief Executive Officer and his direct reports;
- Performance of the Chief Executive Officer;
- Remuneration of the Chief Financial Officer and the Company Secretary;
- Remuneration policies for the Company, which include the performance review of all employees, senior management and Board members;
- Proposals for reward initiatives;
- Succession plans for senior management; and
- Other related matters as directed by the Board.

The Chief Executive Officer attends meetings of the Remuneration Committee by invitation when required to report on, and discuss, senior management performance and remuneration matters. He is excluded from Committee deliberations relating to his position.

The Committee is empowered to seek external professional advice on any matter within its terms of reference.

Senior managers of the Company receive a balance of fixed and variable (at risk) remuneration. The proportions vary at different levels within the Company, reflecting the capacity of the senior managers to influence the overall outcome of the Company's operations and returns to Shareholders. The bonuses (if any) to executives are based on a review of individual executive performance as well as the Company's overall financial performance.

Director's fees paid to Non-Executive Directors and Independent Non-Executive Directors are determined by the Board, and are within the aggregate limits approved by Shareholders at a General Meeting. The Independent Non-Executive Directors currently receive fees paid by the Company. The Committee has available to it data on fees paid to independent directors by a wide range of Companies. The remaining two Non-Executive Directors do not receive fees, however the Company pays a consulting fee to the substantial Shareholder, SC Global Developments Limited.