



AVJennings Limited
ABN: 44 004 327 771

30 June 2021 Preliminary Final Report
Appendix 4E

This Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by AVJennings Limited during the year ended 30 June 2021 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.



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Results for Announcement to the Market

Appendix 4E for the year ended 30 June 2021

	2021 \$'000	2020 \$'000	Increase \$'000	%
Revenues	311,090	262,354	48,736	18.6%
Profit after tax	18,716	9,041	9,675	107.0%
Profit attributable to owners of the Company	18,716	9,041	9,675	107.0%
Dividends	Cents per share		Franked amount per share at 30% tax	
<u>Current period</u>				
Interim dividend	0.7		0.7	
Final dividend	1.8		1.8	
Total dividend	2.5		2.5	
<u>Previous period</u>				
Interim dividend	1.2		1.2	
Final dividend	0.0		0.0	
Total dividend	1.2		1.2	
Record date for determining entitlements to dividend:	9 September 2021			
Payment date:	23 September 2021			
Explanation of results				
The Operating and Financial Review in the Directors' Report provides an explanation of the results.				

Directors' Report

For the year ended 30 June 2021

The Directors present their Report on the Company and its controlled entities for the year ended 30 June 2021.

DIRECTORS

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

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
PK Summers	Managing Director and Chief Executive Officer
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
BL Tan	Non-Executive Director
P Kearns	Non-Executive Director
L Chung	Non-Executive Director (appointed on 1 June 2021)

OPERATING AND FINANCIAL REVIEW

Financial Results

AVJennings earned Profit Before Tax of \$26.7M for the year ended 30 June 2021, well up on the prior year (30 June 2020 PBT: \$13.2M) and its best result since 2018 (FY19 PBT: \$23.8M and FY18 PBT \$45.1M). Profit After Tax was \$18.7M (30 June 2020: \$9.0M).

In FY21, revenue increased to \$311.1M up from \$262.4M for 2020. Contract signings of 953 lots were well up on the prior period (FY20: 697 lots), with some 431 contracts amounting to \$127.1M carried across balance date. Around 402, amounting to \$111.6M, of these contracts are expected to settle during FY22, which will help underpin future results. The results included \$2.8M in JobKeeper receipts.

Average gross margin remained stable at 22.6%, while the average net margin improved slightly. The result was achieved after allowing for \$1.8M in additional provision (having no cash impact), that was largely confined to two projects in South Australia.

Dividend

The quality of the result coupled with the strong level of presales carried over balance date led directors to declare a final fully franked cash dividend of 1.8 cents per share, which together with the interim dividend of 0.7 cents per share declared for the first half, brings the total dividends declared, fully franked, in respect of FY21 to 2.5 cents per share. Based upon VWAP of 60.1366 cents per share (June 2021), this represents a yield of 4.2% before franking credits (fully franked 5.9% grossed up). The DRP will remain suspended.

Directors' Report

For the year ended 30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

Business Overview

Strong contributions were generated by our major regions, highlighting the benefits of geographical diversification. The first stage of our flagship project 'Ara Hills' in New Zealand was completed and achieved significant revenue recognition. 'Arcadian Hills' and 'Spring Farm' in New South Wales performed well, generating strong margins from net price escalation as demand outstripped supply. In Victoria, the latest stages of 'Lyndarum North' sold out and the bulk of apartments in the 'Empress' building at 'Waterline Place' settled. In Queensland, the current stages of 'Cadence' and 'Riverton' sold and settled.

Pleasingly, after a period of hiatus, activity in some lower margin South Australian and Queensland projects was stimulated, enabling us to accelerate the recovery of capital which will be redeployed with the intention of improving the mix of average Company margins in the future.

The FY21 period also saw significant milestones achieved which are critical to future results. The Company commenced development at Rosella Rise, Warnervale (New South Wales) and Aspect, Mernda (Victoria), in strong growth areas. Planning approvals were obtained, and physical works commenced at Harvest Square, Brunswick West, which is a project conducted in partnership with the Victorian Government that will see a much needed increase in the supply of high quality social housing in a great community setting. The Company also commenced planning for the next and largest apartment building at Waterline Place, Williamstown (Victoria). Excellent progress was also made in relation to the planning and approval process for our large-scale, master-planned project at Caboolture.

During FY21 the Company also increased the level of housing under construction at our projects. The year saw 181 dwellings started, compared with 132 dwellings in FY20 and we plan to increase this further in FY22. Increasing the level of built form not only provides more choice to customers, but also enables the Company to enhance returns by extracting maximum value from each project.

As the economy opened up and market conditions improved, work-in-progress levels increased. As at 30 June 2021 the company had 1,537 lots under development (FY20: 1,117 lots.) This has increased significantly from the earliest phase of the pandemic when the Company preserved capital and intentionally delayed the commencement of building activity unless it was directly connected with a sales contract. In addition to new starts during FY22, we expect to complete around 787 of these carried-over lots in FY22 (comprises land-only lots, houses and apartments), of which some 265 will be improved with low-rise dwellings.

Balance Sheet and Land Holdings

Strong settlements of 905 lots (FY20: 827 lots) drove net cash from operations of \$64.0M, well up on FY20 (\$10.6M). This enabled the Company to reduce net debt and gearing to \$125.4M and 20.1% (net debt/total assets) (FY20: \$184.4M and 28.1%) respectively, creating headroom to fund increased investment in work-in-progress and a programme of future acquisitions in line with the Company's significant growth ambitions.

Total inventory including land under option stood at 12,180 lots (FY20: 12,134 lots).

Directors' Report

For the year ended 30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

Outlook

The Company has previously acknowledged the short term importance of government support programs. However, the Company also stated its belief that as the economy recovered, the underlying strength of market fundamentals, which were starting to show through in early 2020, would be the main market driver. Hence, we expected we would see momentum continue, even after initiatives such as HomeBuilder expired. Pleasingly, this has proved to be the case, with around 87 contracts per month (average April-June 2021) signed after the conclusion of the JobKeeper and HomeBuilder initiatives.

The Company is well placed entering FY22 with some 431 pre-sales on hand. Like other years, the earnings bias is expected to be towards the second half, potentially more so as the country continues to experience the effects of lockdowns in the first half of FY22.

We are also well placed in terms of stock production with work under way on some 1,537 lots/housing. Whilst costs are increasing, so too are selling prices, giving us confidence overall margins will be maintained.

There has also been a shift in market preferences with apartments (particularly inner-city high rise) having less appeal. We remain confident the Company's focus on traditional housing product sees us well placed for the future.

Closed international borders will provide a challenge in the medium term. Long term we believe that both Australia and New Zealand will be attractive options for overseas migration.

Obviously, lockdowns have, and are likely to continue to impact on economic recovery. However, we saw how quickly the economy bounced back in the latter part of 2020 and we remain confident Australia and New Zealand will retain their economic strength.

Directors' Report

For the year ended 30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

DIVIDENDS

A fully franked interim dividend of 0.7 cents per share was paid on 26 March 2021 (30 June 2020 interim dividend: 1.2 cents). Subsequent to the end of the financial year, the directors have recommended a fully franked dividend of 1.8 cents per share to be paid on 23 September 2021. The Dividend Reinvestment Plan remains suspended.

COMPARATIVE FIGURES

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the Group's state of affairs in future financial years.

Directors' Report

For the year ended 30 June 2021

ROUNDING

ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 is applicable to the Group and in accordance with that Instrument, amounts in the *Financial Report* and the *Directors' Report* are rounded to the nearest thousand dollars, unless otherwise stated.

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

A handwritten signature in black ink, appearing to be 'PS', written in a cursive style.

Peter Summers
Director
19 August 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Continuing operations			
Revenue from contracts with customers	3	311,090	262,354
Revenue		311,090	262,354
Cost of sales	4	(240,832)	(202,461)
Gross profit		70,258	59,893
Share of loss of joint ventures	11	(2,295)	(66)
Change in equity accounted investment provisions	4	1,554	(947)
Change in inventory loss provisions	4	(1,793)	(1,629)
Fair value adjustment to financial asset	13	-	(516)
Fair value adjustment to investment property	12	180	(190)
Selling and marketing expenses		(4,998)	(5,044)
Employee expenses		(22,148)	(23,531)
Other operational expenses		(5,650)	(6,210)
Management and administration expenses		(6,944)	(7,805)
Depreciation and amortisation expenses	4	(1,860)	(2,125)
Finance income	4	170	1,264
Finance costs	4	(330)	(393)
Other income	4	532	457
Profit before income tax		26,676	13,158
Income tax	5	(7,960)	(4,117)
Profit after income tax		18,716	9,041
Other comprehensive income (OCI)			
Foreign currency translation loss		(185)	(1,228)
Other comprehensive income		(185)	(1,228)
Total comprehensive income		18,531	7,813
Profit attributable to owners of the Company		18,716	9,041
Total comprehensive income attributable to owners of the Company		18,531	7,813
Earnings per share (cents per share):			
Basic earnings per share		4.62	2.23
Diluted earnings per share		4.61	2.23

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents		13,099	5,703
Receivables		46,030	23,036
Inventories		152,155	185,366
Tax receivable		222	1,223
Other assets		3,613	3,522
Total current assets		215,119	218,850
Non-current assets			
Receivables		163	12,042
Inventories		388,662	401,997
Investment property	12	1,760	1,580
Equity accounted investments	11	4,895	5,636
Financial asset	13	-	1,695
Plant and equipment		2,010	1,883
Right-of-use assets		4,923	5,978
Intangible assets		2,816	2,816
Other assets		4,920	2,700
Total non-current assets		410,149	436,327
Total assets		625,268	655,177
Current liabilities			
Payables		32,335	16,540
Lease liabilities		1,189	1,542
Tax payable		1,342	413
Provisions		7,070	5,848
Total current liabilities		41,936	24,343
Non-current liabilities			
Payables		15,545	27,546
Borrowings		138,549	190,110
Lease liabilities		4,054	5,060
Deferred tax liabilities		15,066	14,039
Provisions		1,009	949
Total non-current liabilities		174,223	237,704
Total liabilities		216,159	262,047
Net assets		409,109	393,130
Equity			
Contributed equity	7	173,740	174,179
Reserves		8,953	8,408
Retained earnings		226,416	210,543
Total equity		409,109	393,130

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Attributable to equity holders of AVJennings Limited			Total Equity	
		Contributed Equity \$'000	Foreign Currency Translation Reserve \$'000	Share-based Payment Reserve \$'000	Retained Earnings \$'000	\$'000
At 1 July 2019		174,509	4,256	4,626	212,886	396,277
Effect of adoption of new leases accounting standard		-	-	-	(416)	(416)
At 1 July 2019 (restated)		174,509	4,256	4,626	212,470	395,861
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	9,041	9,041
Loss for the year		-	(1,228)	-	-	(1,228)
Total comprehensive income for the year		-	(1,228)	-	9,041	7,813
<i>Transactions with owners in their capacity as owners:</i>						
- Treasury shares acquired	7(b)	(330)	-	-	-	(330)
- Share-based payment expense reversed (lapsed rights)		-	-	(225)	-	(225)
- Share-based payment expense		-	-	979	-	979
- Dividends paid	6	-	-	-	(10,968)	(10,968)
Total transactions with owners in their capacity as owners		(330)	-	754	(10,968)	(10,544)
At 30 June 2020		174,179	3,028	5,380	210,543	393,130
At 1 July 2020		174,179	3,028	5,380	210,543	393,130
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	18,716	18,716
Loss for the year		-	(185)	-	-	(185)
Total comprehensive income for the year		-	(185)	-	18,716	18,531
<i>Transactions with owners in their capacity as owners:</i>						
- Treasury shares acquired	7(b)	(439)	-	-	-	(439)
- Share-based payment expense reversed (lapsed rights)		-	-	(70)	-	(70)
- Share-based payment expense		-	-	800	-	800
- Dividends paid	6	-	-	-	(2,843)	(2,843)
Total transactions with owners in their capacity as owners		(439)	-	730	(2,843)	(2,552)
At 30 June 2021		173,740	2,843	6,110	226,416	409,109

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		331,084	275,933
Payments to other suppliers and employees (inclusive of GST)		(253,876)	(246,123)
Interest paid		(8,231)	(10,144)
Income tax paid		(5,008)	(9,031)
Net cash from operating activities		63,969	10,635
Cash flows from investing activities			
Payments for plant and equipment		(366)	(1,145)
Interest received		170	1,264
Net cash (used in)/from investing activities		(196)	119
Cash flows from financing activities			
Proceeds from borrowings		78,787	85,460
Repayment of borrowings		(130,348)	(95,685)
Principal elements of lease payments		(1,500)	(1,761)
Net payment for treasury shares		(439)	(330)
Dividends paid	6	(2,843)	(10,968)
Net cash used in financing activities		(56,343)	(23,284)
Net increase/(decrease) in cash and cash equivalents		7,430	(12,530)
Cash and cash equivalents at beginning of the year		5,703	18,209
Effects of exchange rate changes on cash and cash equivalents		(34)	24
Cash and cash equivalents at end of the year		13,099	5,703

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 19 August 2021. The Company is a for profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and the Singapore Exchange through SGX GlobalQuote.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared using accounting policies which are consistent with those adopted in the annual financial statements for the year ended 30 June 2020.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2020 and considered together with any public announcements made by AVJennings Limited during the year ended 30 June 2021 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

Some amendments and interpretations apply for the first time in 2021, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

JobKeeper Payment Scheme

The Federal Government introduced a JobKeeper Payment scheme to support businesses significantly affected by COVID-19 to help keep more Australians in jobs.

The Group was eligible for JobKeeper payments from 30 March 2020 to 3 January 2021. Payments have been accounted for in accordance with *AASB 120 – Accounting for Government Grants and Disclosure of Government Assistance*. A total amount of \$2,840,000 (30 June 2020: \$1,556,000) has been claimed in the year to 30 June 2021. The credit has been recorded as an offset against employee expenses in the *Consolidated Statement of Comprehensive Income*.

Comparative Figures

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

The disaggregation of the Group's revenue from contracts with customers is set out below:

Operating Segments 30 June 2021	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other* \$'000	Total \$'000
Types of goods or services							
Sale of land	19,565	16,263	50,271	10,836	42,850	-	139,785
Sale of integrated housing	56,755	20,644	13,453	11,164	1,515	-	103,531
Sale of apartments	-	54,653	-	-	-	10,288	64,941
Property development & other services	317	2,516	-	-	-	-	2,833
Total revenue from contracts with customers	76,637	94,076	63,724	22,000	44,365	10,288	311,090

Timing of revenue recognition							
Goods transferred at a point in time	76,320	91,560	63,724	22,000	44,365	10,288	308,257
Services transferred over time	317	2,516	-	-	-	-	2,833
Total revenue from contracts with customers	76,637	94,076	63,724	22,000	44,365	10,288	311,090

*Relates to Western Australia

Operating Segments 30 June 2020	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other \$'000	Total \$'000
Types of goods or services							
Sale of land	48,324	19,512	31,409	7,457	25,317	-	132,019
Sale of integrated housing	65,299	23,909	8,700	8,759	7,747	-	114,414
Sale of apartments	-	13,161	-	-	-	-	13,161
Property development & other services	247	2,513	-	-	-	-	2,760
Total revenue from contracts with customers	113,870	59,095	40,109	16,216	33,064	-	262,354

Timing of revenue recognition							
Goods transferred at a point in time	113,623	56,582	40,109	16,216	33,064	-	259,594
Services transferred over time	247	2,513	-	-	-	-	2,760
Total revenue from contracts with customers	113,870	59,095	40,109	16,216	33,064	-	262,354

(b) Revenue recognition accounting policy

(i) Sale of land, integrated housing and apartments

Revenue from the sale of land, houses and apartments is recognised at a point in time when control is transferred to the customer. Except for certain contractual arrangements discussed on Page 15, this occurs at settlement when legal title passes and an enforceable right to payment exists.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

3. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

For the following contractual arrangements, revenue is recognised prior to settlement where the customer has obtained control, and a right to payment exists:

- Revenue from the sales of land on deferred terms to builders in New Zealand. The builder gains control of the land at the point when the contract is unconditional, physical works are complete and building can be commenced.
- Sales of englobo land on deferred terms. Control passes when the contract is unconditional, physical works are complete and the customer has unfettered rights to the land before settlement.
- Revenue from the sales of land to builders in Australia where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land at the point when the contract is unconditional, physical works are complete and building can be commenced.

(ii) Property development and other services

AVJennings Properties Ltd provides property development and other services to joint venture arrangements entered into by other entities within the Group. The performance obligation is satisfied over-time and revenue is progressively recognised based on the terms of the service agreement.

(iii) Financing components

The Group does not expect to have any contracts for the sale of land, integrated housing and apartments where the duration between the transfer of the goods to the customer and payment by the customer exceeds one year in Australia.

In the case of certain contracts for the sale of land in New Zealand and the provision of services in Australia, the duration may exceed one year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4. INCOME AND EXPENSES

	2021 \$'000	2020 \$'000
Revenues		
Revenue from contracts with customers	311,090	262,354
Total revenues	311,090	262,354
Cost of sales include:		
Utilisation of inventory provisions	(774)	(456)
Amortisation of finance costs capitalised to inventories	8,783	7,730
Impairment of assets		
(Reversal)/provision - equity accounted investment	(1,554)	947
Increase in inventory loss provisions	1,793	1,629
For the year ended 30 June 2021, the movement in inventory provision resulted from a realignment of future assumptions with current market conditions relating to projects in South Australia and Western Australia. For the prior year, the movement related to projects in Queensland and South Australia.		
Depreciation and amortisation expense		
Depreciation of owned assets	236	284
Amortisation of right-of-use assets	1,624	1,841
Total depreciation and amortisation expense	1,860	2,125
Finance income		
Interest from financial assets held for cash management purposes	170	1,264
Finance costs		
Bank loans and overdrafts	7,911	9,809
Interest on lease liabilities	320	335
Total finance costs	8,231	10,144
Less: Amount capitalised to inventories	(7,901)	(9,751)
Finance costs expensed	330	393
Other income		
Rent from investment property	96	125
Sundry income	436	332
Total other income	532	457

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

5. INCOME TAX

	2021 \$'000	2020 \$'000
(a) Income tax expense		
The major components of income tax are:		
Current income tax		
- Current income tax charge	6,896	4,822
- Adjustment for prior year	35	226
Deferred income tax		
- Current temporary differences	1,029	(764)
- Adjustment for prior year	-	(167)
Income tax reported in the Consolidated Statement of Comprehensive Income	7,960	4,117

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

Accounting profit before income tax	26,676	13,158
Tax at Australian income tax rate of 30%	8,003	3,947
Net share of equity accounted joint venture loss	689	20
Other (non-assessable)/non-deductible items	(588)	205
Foreign jurisdiction losses	-	(16)
Effect of lower tax rate in foreign jurisdiction	(179)	(98)
Adjustment for prior year	35	59
Income tax expense	7,960	4,117
Effective tax rate	30%	31%

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

6. DIVIDENDS

	2021 \$'000	2020 \$'000
<i>Cash dividends declared and paid</i>		
2019 final dividend of 1.5 cents per share, paid 20 September 2019. Fully franked @ 30% tax	-	6,093
2020 interim dividend of 1.2 cents per share, paid 27 March 2020. Fully franked @ 30% tax	-	4,875
2021 interim dividend of 0.7 cents per share, paid 26 March 2021. Fully franked @ 30% tax	2,843	-
Total cash dividends declared and paid	2,843	10,968
<i>Dividends proposed</i>		
2021 final dividend of 1.8 cents per share, to be paid 23 September 2021. Fully franked @ 30% tax	7,312	-
Total dividends proposed	7,312	-

The Company's Dividend Reinvestment Plan remains suspended.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

7. CONTRIBUTED EQUITY

	2021 Number	2020 Number	2021 \$'000	2020 \$'000
Ordinary shares	406,230,728	406,230,728	177,961	177,961
Treasury shares	(735,799)	-	(4,221)	(3,782)
Share capital	405,494,929	406,230,728	173,740	174,179
(a) Movement in ordinary share capital	Number	Number	\$'000	\$'000
At beginning and end of the period	406,230,728	406,230,728	177,961	177,961
(b) Movement in treasury shares	Number	Number	\$'000	\$'000
As at the beginning of the year	-	(762,619)	(3,782)	(3,452)
On market acquisition of shares	(735,799)	(757,523)	(439)	(435)
Excess funds received from AVJDESP	-	-	-	105
Employee share scheme issue	-	1,520,142	-	-
At the end of the period	(735,799)	-	(4,221)	(3,782)

During the year, 735,799 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust (AVJDESP) at a cost of \$439,000. Shares held by AVJDESP are disclosed as treasury shares and deducted from contributed equity.

Holders of ordinary shares are entitled to dividends and to one vote per share at shareholder meetings.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. OPERATING SEGMENTS

The Group operates primarily in residential development.

The Group determines segments based on information that is provided to the Managing Director who is the Chief Operating Decision Maker (CODM). The CODM assesses the performance and makes decisions about the resources to be allocated to the segment. Each segment prepares a detailed finance report on a monthly basis which summarises the following:

- Historic results of the segment; and
- Forecast of the segment for the remainder of the year.

Reportable segments

Jurisdictions:

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

Other:

This includes revenue from the sale of apartments in Western Australia and numerous low value items.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments:

Operating Segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	2021 \$'000	2020 \$'000												
Revenues														
External sales	76,320	113,623	91,560	56,582	63,724	40,109	22,000	16,216	44,365	33,064	10,288	-	308,257	259,594
Management fees	317	247	2,516	2,513	-	-	-	-	-	-	-	-	2,833	2,760
Total segment revenues	76,637	113,870	94,076	59,095	63,724	40,109	22,000	16,216	44,365	33,064	10,288	-	311,090	262,354
Results														
Segment results	17,544	16,433	10,702	8,612	7,823	1,889	(778)	(1,591)	9,955	5,676	484	1,532	45,730	32,551
Share of loss of joint venture	-	-	-	-	-	-	-	-	-	-	(2,295)	(66)	(2,295)	(66)
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	606	1,596	606	1,596
Rent from investment property	-	-	96	125	-	-	-	-	-	-	-	-	96	125
Change in inventory loss provisions	-	-	-	-	-	(1,310)	(1,593)	(319)	-	-	(200)	-	(1,793)	(1,629)
Fair value adjustments	-	-	180	(190)	-	-	-	-	-	-	-	(516)	180	(706)
Reversal/(provision) - equity accounted investment	-	-	-	-	-	-	-	-	-	-	1,554	(947)	1,554	(947)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(17,072)	(17,373)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(330)	(393)
Profit before income tax													26,676	13,158
Income tax													(7,960)	(4,117)
Net profit													18,716	9,041

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments:

<i>Operating Segments</i>	NSW		VIC		QLD		SA		NZ		Other		Total	
	2021 \$'000	2020 \$'000												
Assets														
Segment assets	168,504	172,600	159,623	165,975	108,241	128,513	42,705	56,954	119,326	107,901	26,869	23,234	625,268	655,177
Total assets	168,504	172,600	159,623	165,975	108,241	128,513	42,705	56,954	119,326	107,901	26,869	23,234	625,268	655,177
Liabilities														
Segment liabilities	27,589	22,497	12,711	10,182	3,304	4,458	1,538	1,227	50,339	48,680	120,678	175,003	216,159	262,047
Total liabilities	27,589	22,497	12,711	10,182	3,304	4,458	1,538	1,227	50,339	48,680	120,678	175,003	216,159	262,047

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

9. NET TANGIBLE ASSET BACKING

	2021	2020
Net Tangible Asset (NTA) backing - cents per ordinary share	100.2	96.1

The number of ordinary shares used in the computation of NTA as at 30 June 2021 was 405,494,929 (30 June 2020: 406,230,728). Refer to note 7 for details.

Net tangible assets are calculated using the values of net assets less intangible assets, as per the respective balance sheet headings.

10. INTEREST IN JOINT OPERATIONS

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

	2021 \$'000	2020 \$'000
Revenues	17,746	20,826
Cost of sales	(11,907)	(13,069)
Other expenses	(807)	(1,150)
Profit before income tax	5,032	6,607
Income tax	(1,510)	(1,982)
Profit after income tax	3,522	4,625

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Equity accounted joint ventures	Interest held		Share of loss	
	30 June 2021	30 June 2020	2021 \$'000	2020 \$'000
Pindan Capital Group Dwelling Trust	33.3%	33.3%	(2,295)	(66)
Loss after income tax			(2,295)	(66)

Part of the Pindan Group has been placed into Administration. A Pindan entity is the current Trustee of the Trusts that hold the above investments. Pindan does not hold any beneficial interest in the trusts or the underlying projects. The beneficial interest is owned by various unit holders which include AVJennings. The unitholders are in the process of either replacing the Trustee or acquiring the Trustee from the Administrator (Ernst & Young). There is no reason to believe Pindan's administration will impact the above investment.

12. INVESTMENT PROPERTY

The Group accounts for its investment property at fair value and revaluations are recognised through profit and loss. The fair value at reporting date has been determined by the Directors with reference to the latest external valuation performed by Knight Frank as at 21 November 2018.

The Capitalisation Approach using a capitalisation rate of 6.50% (30 June 2020: 7.00%), and Direct Comparison Approach methods have been adopted in determining the fair value.

	2021	2020
	\$'000	\$'000
Opening balance at 1 July	1,580	1,770
Gain/(loss) from fair value remeasurement	180	(190)
Closing balance at 30 June	1,760	1,580

13. FINANCIAL ASSET

On 2 October 2020, the remaining units in the unlisted property fund were purchased by the Group for a total consideration of \$9,735,000. This resulted in the Group acquiring certain Trusts whose assets included completed apartments and land. The transaction was accounted for as an asset acquisition.

14. BORROWINGS

The borrowings consist of bank loans which are recorded at amortised cost.

The Group remains compliant with all lending covenants.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

15. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group's bankers in the normal course of business to unrelated parties, at 30 June 2021, amounted to \$4,938,000 (30 June 2020: \$15,894,000). No material liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 30 June 2021, amounted to \$1,049,000 (30 June 2020: \$1,031,000). No material liability is expected to arise.

Unsecured

Contract performance bond facility

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to Contract performance bond facilities. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 30 June 2021, amounted to \$22,004,000 (30 June 2020: \$30,377,000). No material liability is expected to arise.

16. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the Group's state of affairs in future financial years.

17. STATUS OF REVIEW OF ACCOUNTS

This Report is based on accounts which are in the process of being audited.