



AVJennings Limited
ABN: 44 004 327 771

31 December 2011 Half-Year Report
Appendix 4D

This Half-Year 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 2011 and any public announcements made by AVJennings Limited during the half-year ended 31 December 2011 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 4D for the half-year ended 31 December 2011

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 | Increase/(Decrease) | |
|--|---|---|---|---------|
| | | | \$'000 | % |
| Continuing operations | | | | |
| Revenues | 92,181 | 105,293 | (13,112) | (12.5)% |
| Profit after tax from continuing operations | 3,324 | 11,559 | (8,235) | (71.2)% |
| Discontinued operations | | | | |
| Loss after tax from discontinued operations | - | (994) | 994 | 100.0% |
| Net profit attributable to members | 3,324 | 10,565 | (7,241) | (68.5)% |
| Dividends | Cents per security | | Franked amount per security at 30% tax | |
| <u>Current period</u> | | | | |
| Interim dividend | 0.5 | | 0.5 | |
| Total dividend | 0.5 | | 0.5 | |
| <u>Previous corresponding period</u> | | | | |
| Interim dividend | 1.0 | | 1.0 | |
| Total dividend | 1.0 | | 1.0 | |
| Record date for determining entitlements to dividend: | 28 March 2012 | | | |
| Payment date: | 11 April 2012 | | | |
| The Company's Dividend Reinvestment Plan remains suspended. | | | | |
| Explanation of results | | | | |
| The Review of Operations in the attached Directors' Report provides an explanation of the results. | | | | |

Directors' Report

For the half-year ended 31 December 2011

Your Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2011.

DIRECTORS

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

S Cheong (Chairman)

RJ Rowley (Deputy Chairman)

PK Summers

E Sam

HR Hochstadt (Resigned 18 November 2011)

B Chin

BG Hayman

TP Lai (Appointed 18 November 2011)

REVIEW OF OPERATIONS

Financial results

The Company has posted revenue of \$92.2 million to 31 December 2011, down 12.5% from \$105.3 million in the previous corresponding period. Net profit from continuing operations was \$3.3 million for the half year to 31 December 2011. This was down from \$11.6 million in the previous corresponding period.

First Half Overview

The half year result to 31 December 2011 was a reflection of overall poor consumer sentiment which has been affected by the impact of the high Australian dollar on the Australian economy as well as the poor European and US economies. This has severely affected both property and equity markets throughout 2011. The European debt crisis has impacted worldwide and whilst it continues to linger without proper resolution, financial and residential property markets will remain under pressure.

Whilst we experienced two rate reductions late in 2011, any sustained improvement in market conditions has yet to occur. Consumers are looking for some stability and consistency in general economic conditions and hence it is more likely any significant improvements will not flow through to the residential property market until later in 2012. Of course, interest rates are a critical factor in housing affordability which did improve in most of parts of Australia during the period as a result of declining or steady property prices.

For the major markets in which the Company operates, Victoria and South Australia have both seen a considerable softening in conditions. New South Wales, however, displayed some positive signs of recovery during the first half after a number of years of extremely poor market conditions. The chronic under-supply of new housing in that market makes a sustained recovery a matter of timing. Queensland continued to struggle, however many forecasters are predicting a recovery in 2012 after the many challenges it faced in 2011. Importantly for the South-East Queensland market, its housing cost ratio (as a percentage of gross income) has improved considerably compared to Melbourne and Sydney. This has traditionally been an important element in a strong Queensland residential market.

Directors' Report

For the half-year ended 31 December 2011

REVIEW OF OPERATIONS (continued)

Net debt, on a proportionately consolidated basis, increased to \$108 million from \$82 million at 30 June 2011. Net debt as shown in the financial statements increased from \$57 million to \$100 million. The increase in both numbers was primarily due to investing in the buyout of a joint venture partner at a major project in Queensland and the consolidation of the total debt owed by the joint venture, as well as an increase in the amount of building construction on Company projects. Whilst increasing the level of debt, such investment actually lowers risk in slower markets as it is easier to sell completed housing rather than pure land or packaging land with contract home builders.

AVJennings has a landbank of approximately 11,250 lots. Whilst the Company has been conservative in terms of acquisitions, it did increase its landbank through the addition of some 3,000 lots, predominantly in late 2010. A number of these projects are now at advanced stages of planning and development that will see them enter profit recognition stages either in the second half of 2012 or the 2013 financial year. These newer projects will underpin our operations for future years and are vital to improving margins in the medium to long term.

Outlook

The medium to long term fundamentals of the Australian residential market and the AVJennings business remain solid. The current and forecast trends for immigration and population growth are strengthening and the shortage of supply in many areas of Australia will underpin long term demand. However, in the short term, the Australian property market reflects world economic instability and very low consumer confidence. AVJennings is strategically well placed to take full benefit of that recovery when it occurs. This is not, however, a short term scenario and will be in line with the recovery of financial markets in Australia and stabilisation of world economies. Accordingly, the Board and management continue to focus on ensuring the Company is adopting appropriate strategies in relation to capital management and operational structures to meet these challenges.

DIVIDENDS

The Board has declared a fully franked interim dividend of 0.5 cents per share (2010 corresponding period: 1.0 cent).

COMPARATIVE FIGURES

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity's main banking facilities matured on 30 September 2011. These facilities have been renewed for a further 2 years to 30 September 2013.

Directors' Report

For the half-year ended 31 December 2011

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 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.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young. It is set out on page 7.

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.

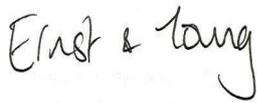
This Report is made in accordance with a resolution of the Directors.



Peter Summers
Director
10 February 2012

Auditor's Independence Declaration to the Directors of AVJennings Limited

In relation to our review of the financial report of AVJennings Limited for the half-year ended 31 December 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



Mark Conroy
Partner
10 February 2012

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2011

| | | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|------|---|---|
| | Note | | |
| Continuing operations | | | |
| Revenues | 3 | 92,181 | 105,293 |
| Share of profits of associates and joint venture entities accounted for using the equity method | 12 | 5,403 | 1,120 |
| Change in inventories, finished goods and work-in-progress | | (74,321) | (67,822) |
| Other operational expenses | | (2,903) | (2,648) |
| Advertising expenses | | (1,661) | (1,672) |
| Display costs | | (508) | (521) |
| Employee expenses | | (9,979) | (12,254) |
| Depreciation and amortisation expense | | (174) | (347) |
| Finance costs | 3 | (263) | (521) |
| Fair value (loss) / gain on interest rate derivatives | | (167) | 509 |
| Other expenses | | (4,816) | (5,106) |
| Profit from continuing operations before income tax | | 2,792 | 16,031 |
| Income tax credit/(expense) | 4 | 532 | (4,472) |
| Profit from continuing operations after income tax | | 3,324 | 11,559 |
| Discontinued operations | | | |
| Loss from discontinued operations after income tax | 6 | - | (994) |
| Net profit for the period | | 3,324 | 10,565 |
| Other comprehensive loss | | | |
| Foreign currency translation | | (91) | (559) |
| Other comprehensive loss for the period net of tax | | (91) | (559) |
| Total comprehensive income for the period | | 3,233 | 10,006 |
| | | | |
| Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent: | | Cents | Cents |
| Basic earnings per share | | 1.21 | 4.21 |
| Diluted earnings per share | | 1.21 | 4.21 |
| | | | |
| Earnings per share for profit attributable to ordinary equity holders of the parent: | | | |
| Basic earnings per share | | 1.21 | 3.85 |
| Diluted earnings per share | | 1.21 | 3.85 |

Consolidated Statement of Financial Position

As at 31 December 2011

| | Note | 31 December 2011 \$'000 | 30 June 2011 \$'000 |
|---|------|-------------------------------|---------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 5,736 | 12,260 |
| Trade and other receivables | | 12,731 | 17,159 |
| Inventories | | 116,891 | 131,231 |
| Other current assets | | 2,655 | 1,300 |
| Tax receivable | | 2,048 | - |
| Total current assets | | 140,061 | 161,950 |
| NON-CURRENT ASSETS | | | |
| Inventories | | 360,510 | 285,630 |
| Investments accounted for using the equity method | | 29,922 | 41,131 |
| Property, plant and equipment | | 1,000 | 1,087 |
| Intangible assets | | 2,816 | 2,816 |
| Total non-current assets | | 394,248 | 330,664 |
| Total assets | | 534,309 | 492,614 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 39,759 | 48,485 |
| Derivative financial instruments | | 235 | 68 |
| Interest-bearing loans and borrowings | | 7,500 | 62,529 |
| Tax payable | | - | 3,540 |
| Provisions | | 3,157 | 3,235 |
| Total current liabilities | | 50,651 | 117,857 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | | 59,469 | 43,400 |
| Interest-bearing loans and borrowings | | 98,675 | 6,619 |
| Deferred tax liabilities | | 21,706 | 19,516 |
| Provisions | | 721 | 694 |
| Total non-current liabilities | | 180,571 | 70,229 |
| Total liabilities | | 231,222 | 188,086 |
| Net assets | | 303,087 | 304,528 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Contributed equity | 7 | 121,096 | 121,835 |
| Reserves | | (1) | (94) |
| Retained earnings | | 181,992 | 182,787 |
| Total equity | | 303,087 | 304,528 |

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2011

| | Note | Attributable to equity holders of the parent | | | Total equity | |
|--|------|--|--|---------------------------------------|-----------------------------|----------------|
| | | Issued Capital \$'000 | Foreign Currency Translation Reserve \$'000 | Share-based Payment Reserve \$'000 | Retained Earnings \$'000 | \$'000 |
| At 1 July 2010 | | 122,578 | - | 81 | 176,759 | 299,418 |
| Profit for the period | | - | - | - | 10,565 | 10,565 |
| Other comprehensive loss for the period | | - | (559) | - | - | (559) |
| Total comprehensive income for the period | | - | (559) | - | 10,565 | 10,006 |
| Transactions with owners in their capacity as owners | | | | | | |
| - Treasury shares acquired reserve | 7(b) | (743) | - | - | - | (743) |
| | | | | 124 | - | 124 |
| - Dividends paid | 5 | - | - | - | (4,119) | (4,119) |
| | | (743) | (559) | 124 | 6,446 | 5,268 |
| At 31 December 2010 | | 121,835 | (559) | 205 | 183,205 | 304,686 |
| At 1 July 2011 | | 121,835 | (417) | 323 | 182,787 | 304,528 |
| Profit for the period | | - | - | - | 3,324 | 3,324 |
| Other comprehensive loss for the period | | - | (91) | - | - | (91) |
| Total comprehensive income for the period | | - | (91) | - | 3,324 | 3,233 |
| Transactions with owners in their capacity as owners | | | | | | |
| - Treasury shares acquired reserve | 7(b) | (739) | - | - | - | (739) |
| - Foreign currency translation reserve | | - | 6 | - | - | 6 |
| | | - | - | 178 | - | 178 |
| - Dividends paid | 5 | - | - | - | (4,119) | (4,119) |
| | | (739) | (85) | 178 | (795) | (1,441) |
| At 31 December 2011 | | 121,096 | (502) | 501 | 181,992 | 303,087 |

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2011

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|---|---|
| Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 105,533 | 112,915 |
| Payments to suppliers, land vendors and employees | (134,683) | (116,032) |
| Interest paid | (5,062) | (5,354) |
| Income tax paid | (4,878) | (1,000) |
| Net cash used in operating activities | (39,090) | (9,471) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property, plant and equipment | 194 | 654 |
| Purchase of property, plant and equipment | (281) | (162) |
| Proceeds from sale of discontinued operations | - | 21,304 |
| Interest received | 267 | 443 |
| Distribution received | 1,100 | 4,510 |
| Investments in associates and joint venture entities | (871) | (9) |
| Net cash from investing activities | 409 | 26,740 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 56,440 | 64,742 |
| Repayment of borrowings | (19,383) | (75,980) |
| Payment of finance lease liability | (30) | (83) |
| Payment for treasury shares | (739) | (743) |
| Equity dividends paid | (4,119) | (4,119) |
| Net cash from (used in) financing activities | 32,169 | (16,183) |
| NET (DECREASE) / INCREASE IN CASH HELD | (6,512) | 1,086 |
| Cash and cash equivalents at beginning of period | 12,260 | 24,110 |
| Effects of exchange rate changes on cash and cash equivalents | (12) | - |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 5,736 | 25,196 |

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

1. CORPORATE INFORMATION

The Consolidated Financial Report of AVJennings Limited for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 10 February 2012. The Company is incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange and the Singapore Exchange through the Central Limit Order Book (CLOB).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed Financial Report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Statements have been prepared on a historical basis except for derivative financial instruments which have been measured at fair value.

The condensed Financial Report does not include all notes of the type normally included within the annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It is recommended that this Financial Report be read in conjunction with the Annual Report for the year ended 30 June 2011 and considered together with any public announcements made by AVJennings Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

This Financial Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated. The accounting policies are consistent with those adopted in the Financial Report for the year ended 30 June 2011.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the half-year ended 31 December 2011. The Directors believe that these new or amended standards and interpretations do not have any material effect on the financial report presented.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

3. REVENUES AND EXPENSES

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

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|---|---|
| <i>Revenues from continuing operations</i> | | |
| Developments | 87,330 | 93,561 |
| Home Improvements | 1,820 | 3,582 |
| Interest revenue | 267 | 494 |
| Management fees | 1,388 | 1,455 |
| Rental revenue | 11 | 21 |
| Royalty revenue | 710 | 732 |
| Sundry revenue | 655 | 400 |
| Expense recovery from third party | - | 5,048 |
| Total revenues | 92,181 | 105,293 |
| <i>Finance costs</i> | | |
| Bank loans and overdrafts | 5,062 | 5,339 |
| Finance charges payable under finance leases | - | 15 |
| Total finance costs | 5,062 | 5,354 |
| Less: Amount capitalised to inventories | (4,799) | (4,833) |
| Finance costs expensed | 263 | 521 |

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

4. INCOME TAX

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|---|---|
| Income tax expense | | |
| The major components of income tax expense are: | | |
| Current income tax | | |
| Current income tax charge | - | 4,057 |
| Adjustment for prior periods | (710) | 101 |
| Deferred income tax | | |
| Current year temporary differences | (629) | (103) |
| Adjustment for prior periods | 807 | (9) |
| Income tax (credit)/expense reported in the Consolidated Statement of Comprehensive Income | (532) | 4,046 |

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

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|---|---|
| Accounting profit before income tax from continuing operations | 2,792 | 16,031 |
| Loss before income tax from discontinued operations | - | (1,420) |
| Total accounting profit before income tax | 2,792 | 14,611 |
| Tax at Australian income tax rate of 30% (2010 - 30%) | 838 | 4,383 |
| Adjustment for prior periods | 97 | 92 |
| Equity accounted share of Joint Venture profits | (1,538) | (302) |
| Other non-deductible items and variations | 71 | (127) |
| Aggregate income tax (credit)/expense | (532) | 4,046 |
| Aggregate income tax (credit)/expense is attributable to: | | |
| Continuing operations | (532) | 4,472 |
| Discontinued operations | - | (426) |
| | (532) | 4,046 |

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

5. DIVIDENDS

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|---|---|
| <i>Dividends paid and recognised</i> | | |
| 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, paid 19 October 2011. Fully franked @ 30% tax | 4,119 | - |
| Total dividends paid | 4,119 | 4,119 |
| <i>Dividends proposed</i> | | |
| 2011 interim dividend of 1.0 cents per fully paid share, paid 18 April 2011. Fully franked @ 30% tax | - | 2,746 |
| 2012 interim dividend of 0.5 cents per fully paid share, to be paid 11 April 2012. Fully franked @ 30% tax | 1,373 | - |
| Total dividends proposed | 1,373 | 2,746 |
| <p>The Company's Dividend Reinvestment Plan remains suspended.</p> | | |
| <i>Franking credit balance</i> | | |
| Franking credits available for subsequent financial periods based on a tax rate of 30% | 23,301 | 21,359 |

6. DISCONTINUED OPERATIONS

Comparatives for the half-year to 31 December 2010 include results of the Contract Building Division which was discontinued on 31 July 2010.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

7. CONTRIBUTED EQUITY

| | 31 December 2011 Number | 30 June 2011 Number | 31 December 2011 \$'000 | 30 June 2011 \$'000 |
|----------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| Ordinary shares | 274,588,694 | 274,588,694 | 122,837 | 122,837 |
| Treasury shares | (3,404,521) | (1,708,786) | (1,741) | (1,002) |
| Share capital | | | 121,096 | 121,835 |

| (a) Movement in ordinary share capital | Number | Number | \$'000 | \$'000 |
|--|--------------------|--------------------|----------------|----------------|
| As at the beginning of the period | 274,588,694 | 274,588,694 | 122,837 | 122,837 |
| As at the end of the period | 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 period.

| (b) Movement in treasury shares | 31 December 2011 Number | 30 June 2011 Number | 31 December 2011 \$'000 | 30 June 2011 \$'000 |
|---|-------------------------------|---------------------------|-------------------------------|---------------------------|
| As at the beginning of the period | (1,708,786) | (666,667) | (1,002) | (259) |
| Acquisition of shares by AVJ Deferred Employee Share Plan Trust | (1,695,735) | (1,375,452) | (739) | (743) |
| Employee share scheme issue | - | 333,333 | - | - |
| As at the end of the period | (3,404,521) | (1,708,786) | (1,741) | (1,002) |

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.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

8. CASH AND CASH EQUIVALENTS

| | 31 December 2011 \$'000 | 30 June 2011 \$'000 |
|--|-------------------------------|---------------------------|
| Reconciliation to Consolidated Statement of Cash Flows | | |
| For the purposes of <i>Consolidated Statement of Cash Flows</i> , cash and cash equivalents comprise the following: | | |
| Cash at bank and in hand | 5,736 | 12,260 |

9. 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 the full 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.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

9. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments for the half-year ended 31 December 2011.

| Operating segments | Continuing Operations | | | | | | | | | | | | Discontinued Operations | | Total Operations | |
|--|-----------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|--------------|------------------|----------------|-------------------------|---------------|------------------|----------------|
| | NSW | | VIC | | QLD | | SA | | Other | | Total | | Contract Building | | Consolidated | |
| | 31 December 2011 | 2010 | 31 December 2011 | 2010 | 31 December 2011 | 2010 | 31 December 2011 | 2010 | 31 December 2011 | 2010 | 31 December 2011 | 2010 | 31 December 2011 | 2010 | 31 December 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenues | | | | | | | | | | | | | | | | |
| External sales | 21,930 | 14,013 | 41,087 | 52,356 | 18,698 | 16,936 | 7,435 | 13,838 | - | - | 89,150 | 97,143 | - | 15,503 | 89,150 | 112,646 |
| Management fees | 806 | 911 | 435 | 325 | 68 | 219 | 79 | - | - | - | 1,388 | 1,455 | - | - | 1,388 | 1,455 |
| Other revenue | - | - | - | - | - | - | - | - | 1,643 | 6,695 | 1,643 | 6,695 | - | 13 | 1,643 | 6,708 |
| Total segment revenues | 22,736 | 14,924 | 41,522 | 52,681 | 18,766 | 17,155 | 7,514 | 13,838 | 1,643 | 6,695 | 92,181 | 105,293 | - | 15,516 | 92,181 | 120,809 |
| Results | | | | | | | | | | | | | | | | |
| Segment results | 552 | 642 | 4,673 | 16,145 | 3,312 | 1,074 | 777 | 2,218 | (16) | (102) | 9,298 | 19,977 | - | (251) | 9,298 | 19,726 |
| Fair value movement in interest rate derivatives | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (167) | 509 |
| Other income | - | - | - | - | - | - | - | - | 1,643 | 6,695 | 1,643 | 6,695 | - | 13 | 1,643 | 6,708 |
| Unallocated depreciation and amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (174) | (347) |
| Unallocated expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (7,545) | (11,464) |
| Unallocated interest expense | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (263) | (521) |
| Profit before tax | | | | | | | | | | | | | | | 2,792 | 14,611 |
| Income tax | | | | | | | | | | | | | | | 532 | (4,046) |
| Net profit | | | | | | | | | | | | | | | 3,324 | 10,565 |

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

9. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments as at 31 December 2011 and 30 June 2011.

| <i>Operating segments</i> | <i>Continuing Operations</i> | | | | | | | | | | <i>Total Operations</i> | |
|---------------------------|------------------------------|----------------|----------------|---------------|----------------|----------------|---------------|---------------|----------------|---------------|-------------------------|----------------|
| | NSW | | VIC | | QLD | | SA | | Other | | Consolidated | |
| | 31 Dec | 30 Jun | 31 Dec | 30 Jun | 31 Dec | 30 Jun | 31 Dec | 30 Jun | 31 Dec | 30 Jun | 31 Dec | 30 Jun |
| | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | | | | | | | |
| Segment assets | 160,125 | 168,427 | 103,949 | 92,042 | 189,065 | 144,210 | 68,368 | 64,969 | 12,802 | 22,966 | 534,309 | 492,614 |
| Total assets | 160,125 | 168,427 | 103,949 | 92,042 | 189,065 | 144,210 | 68,368 | 64,969 | 12,802 | 22,966 | 534,309 | 492,614 |
| Liabilities | | | | | | | | | | | | |
| Segment liabilities | 13,696 | 13,898 | 26,834 | 21,389 | 52,752 | 51,881 | 19,561 | 17,906 | 118,379 | 83,012 | 231,222 | 188,086 |
| Total liabilities | 13,696 | 13,898 | 26,834 | 21,389 | 52,752 | 51,881 | 19,561 | 17,906 | 118,379 | 83,012 | 231,222 | 188,086 |

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

10. NET TANGIBLE ASSET BACKING

| | 31 December 2011 Cents | 30 June 2011 Cents |
|--|------------------------------|--------------------------|
| Net Tangible Asset backing (NTA) - cents per ordinary security | 109.4 | 109.9 |

Ordinary shares on issue as at 31 December 2011 were 274,588,694 (30 June 2011: 274,588,694). Refer to note 7 for details.

11. INTEREST IN JOINT VENTURE OPERATIONS

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

| | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
|---|---|---|
| Revenues | 980 | 2,435 |
| Cost of sales | (821) | (2,113) |
| Other expenses | (881) | (392) |
| Loss before income tax | (722) | (70) |
| Income tax credit | 217 | 21 |
| Net loss attributable to members of the parent | (505) | (49) |

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interest in an associate or a joint venture entity is accounted for using the equity method of accounting and is carried at cost. Under the equity method, the consolidated entity's share of the results of the associate or the joint venture entity is 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 Associates & Joint Ventures | Interest held in output | | Share of Net profit | |
|---|-------------------------|---------------------|---|---|
| | 31 December 2011 | 31 December 2010 | 6 months 31 December 2011 \$'000 | 6 months 31 December 2010 \$'000 |
| Name of Associate & Joint Ventures | | | | |
| Epping JV | 10% | 10% | 275 | 115 |
| Arlington Rise JV | 45% | - | 1 | - |
| Creekwood (Meridan Plains) | - | 50% | 4,776 | (59) |
| Eastwood | 50% | 50% | 356 | 124 |
| Sydney Olympic Park Development | 50% | 50% | - | - |
| Woodville | 50% | 50% | (5) | 940 |
| Profit after tax | | | 5,403 | 1,120 |

On 30 September 2011, the Consolidated Entity purchased the equity held by the joint venture partner in Creekwood. Creekwood does not constitute a business and has been accounted for as an asset acquisition. Creekwood Developments Pty Ltd is now a fully owned subsidiary.

13. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Consolidated Entity's bankers in the normal course of business to unrelated parties, at 31 December 2011, amounted to \$16,474,000 (30 June 2011: \$18,304,000). 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 31 December 2011, amounted to \$15,896,000 (30 June 2011: \$15,663,000). No liability is expected to arise.

Unsecured

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. Contingent liabilities in respect of certain performance bonds, granted by the Consolidated Entity's financiers, in the normal course of business as at 31 December 2011, amounted to \$1,206,000 (30 June 2011: \$1,139,000). No liability is expected to arise.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2011

14. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect:

- a) the Consolidated Entity's operations in the 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.

AVJennings®

Directors' Declaration

For the half-year ended 31 December 2011

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

In the opinion of the Directors:

- a) The Financial Statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2011 and of the performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

- b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



Peter Summers
Director

10 February 2012

To the members of AVJennings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AVJennings Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AVJennings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 follows the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AVJennings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Conroy'.

Mark Conroy
Partner
Sydney
10 February 2012