AVJennings

AVJennings Limited
ABN: 44 004 327 771

31 December 2016 Half-Year Report
Appendix 4D

This Interim 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 2016 and any public announcements made by AVJennings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

AVJennings®

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Results for Announcement to the Market

Appendix 4D for the half-year ended 31 December 2016

	For the half-year ended 31 December 2016 $'000	31 December 2015 $'000	Decrease $'000	%
Revenues	156,038	187,184	(31,146)	(16.6)%
Profit after tax	14,145	16,520	(2,375)	(14.4)%
Net profit attributable to owners of the Company	14,145	16,520	(2,375)	(14.4)%

Dividends	Cents per share	Franked amount per share at 30% tax
Current period		
Interim dividend	1.5	1.5
Total dividend	**1.5**	**1.5**
Previous period		
Interim dividend	1.5	1.5
Total dividend	**1.5**	**1.5**

Record date for determining entitlements to dividend:	24 March 2017
Payment date:	7 April 2017

The Company's Dividend Re-Investment Plan remains suspended.

Explanation of results

The Operating and Financial Review in the Directors' Report provides an explanation of the results.

Directors' Report

For the half-year ended 31 December 2016

Your Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2016.

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
E Sam	Non-Executive Director
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
D Tsang	Non-Executive Director

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company recorded profit before tax of $20.4 million for the half year ended 31 December 2016, down 14.4% on the previous corresponding half (31 December 2015: $23.9 million profit before tax) and profit after tax of $14.1 million (31 December 2015: $16.5 million).

The after tax result includes a net $3.5 million release of impairment provision predominantly driven by projects in New South Wales and South Australia. This is moderately higher than the impairment released in first half of financial 2016.

Good revenue and cash inflow from the collection of receivables during the half and significant confidence in the outlook for the balance of financial 2017 have enabled the Directors to declare that a fully franked interim dividend of 1.5 cents per share be paid in April 2017 (1.5 cents per share was paid in April 2016) and the Directors reaffirm the Company's annual dividend target payout range of 40-50.0% of profit after tax for financial year 2017.

Contract signings of 730 lots was lower than the previous corresponding period (999 lots) as too were settlements of 576 lots (31 December 2015: 694 lots), generating half year revenue of $156 million (31 December 2015: $187.2 million). Gross margins, however, were 2.4 percentage points higher than the previous corresponding half.

Directors' Report

For the half-year ended 31 December 2016

OPERATING AND FINANCIAL REVIEW (continued)

Business Overview

There continues to be strong demand and we have experienced firmer gross margins in key jurisdictions. The standout contributor this half was New South Wales. While Queensland also continues to benefit from buoyant market conditions, its turnover and profit contribution dipped because of reduction in inventory available for sale together with a greater focus on built form production (relative to land only) on some estates to take advantage of changes in local demand. The corollary of a longer working capital cycle for built form is delayed profit recognition - typically across two accounting periods - compared with land only sales. Significant contributions from individual projects were made by 'Arcadian Hills' and 'Argyle at Elderslie' in Sydney and 'Magnolia' on the Central Coast of New South Wales.

Work in progress was up 4.6% half on half to 1,698 lots at balance sheet date (31 December 2015: 1,623 lots) and up 1.0% from the position at 30 June 2016 (1,681 lots). The level of completed unsold stock remains very low at 3.0% of total number of lots under control.

The Company actively replenished inventory during the half with controlled land rising a further 3.4% to 10,387 lots (30 June 2016: 10,048 lots) despite strong sales.

The overwhelming majority of the Company's projects, including sites acquired within the last 6 months, are under, or will within the forthcoming 12 months enter, active production.

Gearing (net debt/total assets) remains low at 25.8% (total net debt $180.8 million) and is up from 17.9% at 30 June 2016 (31 December 2015: 22.9%) reflecting seasonal build-up in production and new acquisitions.

Directors' Report

For the half-year ended 31 December 2016

OPERATING AND FINANCIAL REVIEW (continued)

<u>Outlook</u>

Activity levels in the Company's key markets of Sydney, Brisbane, Melbourne and Auckland remain high, with demand for traditional residential land lots, detached dwellings, townhouses and low rise apartments remaining strong. The Company will continue to tailor its offerings as local market conditions dictate and this is likely to result in relatively more dwelling commencements in some areas over the balance of the financial year.

General enquiry and prospect conversion remain solid on the Company's estates in Sydney and the Central Coast of New South Wales, driven by pent-up demand and inadequate land supply, although maintenance of affordability is a perennial challenge. The Arcadian Hills, Argyle, Evergreen and Magnolia projects are expected to contribute strongly to second half profit.

In Queensland, good sales in earlier periods lowered inventory available for sale in the half ended 31 December 2016, however, this position is expected to reverse in the second half as demand and selling prices remain firm in Brisbane, Caloundra and Coomera with new stages on projects in these locations well underway. The recent acquisition of a substantial green-fields site in Jimboomba, approximately 40 km southwest of the Brisbane central business district presents an exciting opportunity to partner with a local private development group that will underpin the Company's activities in Brisbane for the next five years. Planning and development approval requirements for this new project are well advanced and civil works on the first stage are expected to commence this calendar year.

Activity in Melbourne was also constrained by lack of stock available for sale, primarily due to planning delays in relation to the Lyndarum North project. Revenue was also impacted by the timing of revenue recognition for the Waterline project. This position too should change in the second half with the completion and settlement of the first two stages of the Company's flagship apartment project 'Waterline' expected late in the period. These stages are largely sold-out and will realise substantial cash. The first stage of the new 'Lyndarum North' joint venture project with AustralianSuper virtually sold out within a few hours of its online release in early December 2016 and the second and subsequent stages are currently being readied for release, although revenue and margin from all of these will probably not be recognised until the 2018 financial year due to delayed commencement arising from a protracted State Government planning process.

Auckland remains a strong market and the high quality, master-planned Hobsonville project continues to experience significant demand, generating excellent sales and margins. The Company is extremely pleased to have acquired a new super-lot, which it already has under contract, adding to a substantial number of presold lots that will settle in subsequent accounting periods.

The South Australian market remains soft and the Company's small investment in four projects in Perth, Western Australia is performing in line with the wider Perth residential market.

Key economic drivers are positive, with strong consumer confidence to transact in housing supported by expectations of continuing low interest rates and inflation, positive population growth and shortages of detached and low rise dwellings in Sydney, Melbourne and Auckland. As usual, the Company anticipates a significantly stronger second half, with contract signings for the year to be at a similar level to last year.

Directors' Report

For the half-year ended 31 December 2016

DIVIDENDS

A final dividend of 3.5 cents per share for the year ended 30 June 2016 was paid on 23 September 2016 (30 June 2015 final dividend: 3.0 cents). Subsequent to the end of the half year, the Directors have recommended a fully franked interim dividend of 1.5 cents per share to be paid on 7 April 2017. 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 31 December 2016 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.

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.

AUDITORS INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young. It is set out on page 8.

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

Peter Summers
Director
20 February 2017

Building a better
working world

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Auditor's Independence Declaration to the Directors of AVJennings Limited

As lead auditor for the review of AVJennings Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AVJennings Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
20 February 2017

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2016

	Note	For the half-year ended 31 December 2016 $'000	31 December 2015 $'000
Revenues	3	156,038	187,184
Cost of sales		(115,391)	(142,989)
Gross profit		**40,647**	**44,195**
Share of losses of associates and joint venture entities accounted for using the equity method		(400)	(384)
Change in inventory loss provisions	3	5,057	3,665
Selling and marketing expenses		(5,292)	(4,463)
Employee expenses		(12,049)	(12,590)
Other operational expenses		(3,169)	(2,296)
Depreciation expense		(150)	(136)
Management and administration expenses		(3,768)	(3,788)
Finance costs	3	(430)	(314)
Profit before income tax		**20,446**	**23,889**
Income tax	4	(6,301)	(7,369)
Profit after income tax		**14,145**	**16,520**
Other comprehensive income (OCI)			
Foreign currency translation		192	1,476
Other comprehensive income for the half-year		**192**	**1,476**
Total comprehensive income for the half-year		**14,337**	**17,996**
Profit for the half-year attributable to owners of the Company		**14,145**	**16,520**
Total comprehensive income for the half-year attributable to owners of the Company		**14,337**	**17,996**
Earnings per share (cents per share):			
Basic earnings per share		3.69	4.33
Diluted earnings per share		3.69	4.33

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents		4,185	43,086
Trade and other receivables		77,177	106,060
Inventories		230,459	209,939
Other assets		2,625	2,140
Total current assets		**314,446**	**361,225**
Non-current assets			
Trade and other receivables		31,417	21,694
Inventories		341,208	343,098
Equity accounted investments		8,284	8,684
Available-for-sale financial assets		2,880	2,880
Plant and equipment		912	985
Intangible assets		2,816	2,816
Total non-current assets		**387,517**	**380,157**
Total assets		**701,963**	**741,382**
Current liabilities			
Trade and other payables		76,556	120,611
Interest-bearing loans and borrowings		8,339	10,057
Tax payable		4,715	10,494
Provisions		5,283	6,261
Total current liabilities		**94,893**	**147,423**
Non-current liabilities			
Trade and other payables		41,520	40,355
Interest-bearing loans and borrowings		176,620	165,466
Deferred tax liabilities		22,936	23,437
Provisions		870	794
Total non-current liabilities		**241,946**	**230,052**
Total liabilities		**336,839**	**377,475**
Net assets		**365,124**	**363,907**
Equity			
Contributed equity	6	160,436	160,436
Reserves		6,548	6,022
Retained earnings		198,140	197,449
Total equity		**365,124**	**363,907**

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2016

		Attributable to equity holders of AVJennings Limited				Total Equity
	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	$'000
At 1 July 2015		**160,436**	**1,791**	**1,283**	**173,835**	**337,345**
Comprehensive income:						
Profit for the half-year		-	-	-	16,520	16,520
Other comprehensive income for the half-year		-	1,476	-	-	1,476
Total comprehensive income for the half-year		**-**	**1,476**	**-**	**16,520**	**17,996**
Transactions with owners in their capacity as owners:						
- Share-based payment expense reversed (forfeited shares)		-	-	(19)	-	(19)
- Share based payment expense		-	-	439	-	439
- Dividends paid	5	-	-	-	(11,532)	(11,532)
Total transactions with owners in their capacity as owners		**-**	**-**	**420**	**(11,532)**	**(11,112)**
At 31 December 2015		**160,436**	**3,267**	**1,703**	**178,823**	**344,229**
At 1 July 2016		**160,436**	**3,833**	**2,189**	**197,449**	**363,907**
Comprehensive income:						
Profit for the half-year		-	-	-	14,145	14,145
Other comprehensive income for the half-year		-	192	-	-	192
Total comprehensive income for the half-year		**-**	**192**	**-**	**14,145**	**14,337**
Transactions with owners in their capacity as owners:						
- Share-based payment expense reversed (forfeited shares)		-	-	(36)	-	(36)
- Share based payment expense		-	-	370	-	370
- Dividends paid	5	-	-	-	(13,454)	(13,454)
Total transactions with owners in their capacity as owners		**-**	**-**	**334**	**(13,454)**	**(13,120)**
At 31 December 2016		**160,436**	**4,025**	**2,523**	**198,140**	**365,124**

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2016

	Note	For the half-year ended 31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities			
Receipts from customers		190,329	207,317
Payments to suppliers and employees		(207,591)	(257,008)
Finance costs including interest paid		(5,457)	(6,178)
Income tax paid		(12,603)	(535)
Net cash used in operating activities		**(35,322)**	**(56,404)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	1
Payments for plant and equipment		(77)	(99)
Interest received		430	314
Dividends received from joint venture entity		-	1,400
Net cash from investing activities		**353**	**1,616**
Cash flows from financing activities			
Proceeds from borrowings		67,680	164,115
Repayment of borrowings		(58,244)	(105,915)
Dividends paid	5	(13,454)	(11,532)
Net cash (used in)/from financing activities		**(4,018)**	**46,668**
Net decrease in cash and cash equivalents		**(38,987)**	**(8,120)**
Cash and cash equivalents at beginning of the half-year		43,086	37,812
Effects of exchange rate changes on cash and cash equivalents		86	678
Cash and cash equivalents at end of the half-year		**4,185**	**30,370**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 20 February 2017. 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 and the Singapore Exchange through SGX Globalquote.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-year condensed financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, *AASB 134 Interim Financial Reporting* and other mandatory professional requirements.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2016 and considered together with any public announcements made by AVJennings Limited during the half-year ended 31 December 2016 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. The accounting policies adopted are consistent with those of the previous financial year.

Certain new accounting standards have been published that are not mandatory for the half-year ended 31 December 2016 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards is set out below:

AASB 9 Financial Instruments: (effective 1 January 2018 / applicable to the Group 1 July 2018 with early adoption permitted)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Group does not expect a material impact to the Group's accounting for financial instruments.

The Group has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers: (effective 1 January 2018 / applicable to the Group 1 July 2018 with early adoption permitted)

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is unlikely to have a material impact on land and built form revenue as the performance obligation is delivering the completed product.

The Group has not yet decided when to adopt AASB 15.

AASB 16 Leases: (effective 1 January 2019 / applicable to the Group 1 July 2019 with early adoption permitted if AASB 15 is also adopted)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will predominantly affect lessees, bringing all major leases on balance sheet.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Whilst the total amount of expense recorded in the income statement is expected to remain unchanged over the full lease term, the timing of expense recognition could accelerate. The expense would be re-characterised as interest expense and amortisation expense instead of rent. Assets and liabilities will increase as “right to use assets” and “leasing liabilities” are recorded for operating leases. AVJennings is in the process of developing implementation plans and assessing the potential impact on its consolidated financial statements that would result from the application of this standard.

The Group has not yet decided when to adopt AASB 16.

3. REVENUES AND EXPENSES

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

	For the half-year ended	
	31 December 2016 $'000	31 December 2015 $'000
Revenues		
Sales of land and built form	155,078	185,747
Interest received	430	314
Management fees received/receivable	437	876
Other	93	247
Total revenues	**156,038**	**187,184**
Cost of sales include:		
Amortisation of finance costs capitalised to inventories	**5,144**	**6,966**
Finance costs		
Bank loans and overdrafts	5,457	6,178
Less: Amount capitalised to inventories	(5,027)	(5,864)
Finance costs expensed	**430**	**314**
Impairment of assets		
Net decrease in inventory loss provisions	5,057	3,665
Total net impairment reversed	**5,057**	**3,665**

For the half-year ended 31 December 2016, the movement in the provision resulted from a realignment of future assumptions with current market conditions predominantly driven by projects in New South Wales and South Australia.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

4. INCOME TAX

	For the half-year ended	
	31 December 2016 $'000	31 December 2015 $'000
Income tax expense		
The major components of income tax are:		
Current income tax		
Current income tax charge	6,844	4,228
Adjustment for prior year	(7)	-
Deferred income tax		
Current temporary differences	(546)	3,137
Adjustment for prior year	10	4
Income tax reported on profit before income tax	**6,301**	**7,369**

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

Profit before income tax	**20,446**	**23,889**
Tax at Australian income tax rate of 30%	6,134	7,167
Non-deductible share of equity accounted Joint Venture losses	120	115
Other non-deductible items	59	76
Assessable foreign jurisdiction gains	51	239
Unused tax losses recognised and utilised	-	(193)
Effect of lower tax rate in foreign jurisdictions	(66)	(39)
Adjustment for prior year	3	4
Income tax expense	**6,301**	**7,369**
Effective tax rate	**31%**	**31%**

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

5. DIVIDENDS

	For the half-year ended 31 December 2016 $'000	31 December 2015 $'000
Cash dividends declared and paid		
2016 final dividend of 3.5 cents per share, paid 23 September 2016. Fully franked @ 30% tax	13,454	-
2015 final dividend of 3.0 cents per share, paid 23 September 2015. Fully franked @ 30% tax	-	11,532
Total dividends paid	**13,454**	**11,532**
Dividends proposed		
2017 interim dividend of 1.5 cents per share, to be paid 7 April 2017. Fully franked @ 30% tax	5,767	-
2016 interim dividend of 1.5 cents per share, paid 15 April 2016. Fully franked @ 30% tax	-	5,767
Total dividends proposed	**5,767**	**5,767**

The Company's Dividend Reinvestment Plan remains suspended.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

6. CONTRIBUTED EQUITY

	31 December 2016 Number	30 June 2016 Number	31 December 2016 $'000	30 June 2016 $'000
Ordinary shares	384,423,851	384,423,851	162,793	162,793
Treasury shares	(1,183,762)	(2,338,154)	(2,357)	(2,357)
Share capital	**383,240,089**	**382,085,697**	**160,436**	**160,436**

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.

(a) Movement in ordinary share capital	**Number**	**Number**	**$'000**	**$'000**
As at the beginning of the half-year	384,423,851	384,423,851	162,793	162,793
As at the end of the half-year	**384,423,851**	**384,423,851**	**162,793**	**162,793**

(b) Movement in treasury shares	**Number**	**Number**	**$'000**	**$'000**
As at the beginning of the half-year	(2,338,154)	(3,502,401)	(2,357)	(2,357)
Employee share scheme issue	1,154,392	1,164,247	-	-
As at the end of the half-year	**(1,183,762)**	**(2,338,154)**	**(2,357)**	**(2,357)**

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.

The original cost of the shares was 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 2016

7. 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 numerous low value items, amongst the most significant of which is interest.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

7. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments for the half-year ended 31 December 2016:

Operating segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 December		31 December		31 December		31 December		31 December		31 December		31 December	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenues														
External sales	65,279	67,010	25,448	33,895	27,701	61,756	14,779	16,613	21,871	6,473	-	-	155,078	185,747
Management fees	-	32	423	829	-	-	14	12	-	3	-	-	437	876
Other revenue	-	-	-	-	-	-	-	-	-	-	523	561	523	561
Total segment revenues	**65,279**	**67,042**	**25,871**	**34,724**	**27,701**	**61,756**	**14,793**	**16,625**	**21,871**	**6,476**	**523**	**561**	**156,038**	**187,184**
Results														
Segment results *	18,542	14,415	(539)	1,741	2,300	8,989	(719)	1,951	4,120	1,912	319	(228)	24,023	28,780
Share of profits/(losses) of associates and JVs accounted for using the equity method	1	13	-	(1)	-	-	(7)	(3)	-	-	(394)	(393)	(400)	(384)
Change in inventory loss provisions	5,775	2,949	-	-	-	716	(718)	-	-	-	-	-	5,057	3,665
Other income	-	-	-	-	-	-	-	-	-	-	523	561	523	561
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	(150)	(136)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(8,177)	(8,283)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(430)	(314)
Profit before tax													20,446	23,889
Income tax													(6,301)	(7,369)
Net profit													**14,145**	**16,520**

* Segment results include utilisation of inventory loss provisions of $1,397,000 (31 December 2015: $3,920,000)

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

7. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments as at 31 December 2016:

Operating Segments	NSW 31 Dec 2016 $'000	NSW 30 Jun 2016 $'000	VIC 31 Dec 2016 $'000	VIC 30 Jun 2016 $'000	QLD 31 Dec 2016 $'000	QLD 30 Jun 2016 $'000	SA 31 Dec 2016 $'000	SA 30 Jun 2016 $'000	NZ 31 Dec 2016 $'000	NZ 30 Jun 2016 $'000	Other 31 Dec 2016 $'000	Other 30 Jun 2016 $'000	Total 31 Dec 2016 $'000	Total 30 Jun 2016 $'000
Assets														
Segment assets	210,619	216,793	182,032	188,256	130,901	99,274	94,035	95,188	74,331	84,422	10,045	57,449	701,963	741,382
Total assets	**210,619**	**216,793**	**182,032**	**188,256**	**130,901**	**99,274**	**94,035**	**95,188**	**74,331**	**84,422**	**10,045**	**57,449**	**701,963**	**741,382**
Liabilities														
Segment liabilities	29,585	53,113	56,406	70,527	25,170	14,530	5,048	6,088	55,683	62,586	164,947	170,631	336,839	377,475
Total liabilities	**29,585**	**53,113**	**56,406**	**70,527**	**25,170**	**14,530**	**5,048**	**6,088**	**55,683**	**62,586**	**164,947**	**170,631**	**336,839**	**377,475**

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

8. NET TANGIBLE ASSET BACKING

	31 December 2016 cents	30 June 2016 cents
Net Tangible Asset backing (NTA) - cents per ordinary share	94.5	94.5

The number of ordinary shares used in the computation of NTA as at 31 December 2016 was 383,240,089 (30 June 2016: 382,085,697). Refer to note 6 for details.

9. 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:

	For the half-year ended	
	31 December 2016 $'000	31 December 2015 $'000
Revenues	3	3,081
Cost of property developments sold	-	(2,695)
Other expenses	(267)	(35)
(Loss)/profit before income tax	**(264)**	**351**
Income tax	79	(105)
(Loss)/profit after tax	**(185)**	**246**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interests in an associate or a joint venture entity are accounted for using the equity method of accounting and are carried at cost. Under the equity method, the Group's share of the results of the associate or the joint venture entity 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 Associates & Joint Venture Entities	Interest held		Share of net (loss)/profit	
			For the half-year ended	
	31 December 2016	31 December 2015	31 December 2016 $'000	31 December 2015 $'000
Epping JV	10.0%	10.0%	-	(1)
Eastwood JV	50.0%	50.0%	1	13
Woodville JV	50.0%	50.0%	(7)	(3)
Pindan Capital Group Dwelling Trust	33.3%	33.3%	(394)	(393)
Loss after tax			**(400)**	**(384)**

11. INTEREST- BEARING LOANS AND BORROWINGS

The fair value for interest-bearing loans and borrowings less than 12 months to maturity is deemed to equal the carrying value. All other borrowings are discounted if the effect of discounting is material. The fair values of interest-bearing loans and borrowings are determined by using the discounted cash flow method with a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Interest-bearing loans and borrowings are classified as level 2 financial instruments.

The Group remains compliant with all lending covenants.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

12. 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 31 December 2016, amounted to $8,038,000 (30 June 2016: $8,724,000). 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 31 December 2016, amounted to $1,243,000 (30 June 2016: $5,593,000). 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 31 December 2016, amounted to $19,589,000 (30 June 2016: $22,239,000). No material liability is expected to arise.

13. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2016 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' Declaration

For the half-year ended 31 December 2016

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

In the opinion of the Directors:

a) The Consolidated Financial Statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the financial position as at 31 December 2016 and of the performance for the half-year ended on that date; and

    (ii) complying with *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

On behalf of the Board.

Peter Summers
Director

20 February 2017

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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 (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year 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 a Financial Report 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 half-year 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 2016 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 is included in the Directors' Report.

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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 2016 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*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
20 February 2017

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