AVJennings Limited
ABN: 44 004 327 771

31 December 2018 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 2018 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.

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AVJennings®

Results for Announcement to the Market

Appendix 4D for the half-year ended 31 December 2018

	For the half-year ended 31 December 2018 $'000	31 December 2017 $'000	Decrease $'000	%
Revenues	113,246	184,639	(71,393)	(38.7)%
Profit after tax	1,421	15,482	(14,061)	(90.8)%
Net profit attributable to owners of the Company	1,421	15,482	(14,061)	(90.8)%

Dividends	Cents per share	Franked amount per share at 30% tax
Current period		
Interim dividend	1.0	1.0
Total dividend	**1.0**	**1.0**
Previous period		
Interim dividend	2.0	2.0
Total dividend	**2.0**	**2.0**

Record date for determining entitlements to dividend:	1 March 2019
Payment date:	22 March 2019

The Company's Dividend Re-Investment Plan is 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 2018

The Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2018.

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
BL Tan	Non-Executive Director

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company reported a profit before tax of $2.167 million for the half year ended 31 December 2018. Profit after tax was $1.421 million (31 December 2017: $15.482 million). Compared with the previous corresponding period, profit before and after tax declined approximately 91%. The result is consistent with statements made to the market prior to balance date and reflects the deferral of revenue originally expected to be booked late in the first half, together with softer trading conditions in key markets.

In contrast to previous periods, the result does not include any material contribution from new sales to builders recognised (but not settled) during the half due to the commencement, on 1st July, of the new revenue accounting standard AASB15, which reduces the scope for recognition of revenue prior to cash settlement. Had the prior accounting standard (AASB118) continued to operate, the profit before tax reported would have been approximately $1 million (refer Note 2 for further details).

Business Overview

The Company advised the market in December 2018 that its earnings for financial 2019 would be even more heavily skewed towards the second half than in previous financial years, with approximately $11 million in profit contribution deferred due to settlement delays in Stages 1-3 at Lyndarum-North, Stages 2 and 5 at Spring Farm, Stages 6-7 at Cobbitty and Stage 3B at Hobsonville Buckley B. Pleasingly, around $8.7 million of this has already or will be earned by the end of February, with much of the balance expected to be booked by the end of April.

The Company entered the second half with 883 pre-sold lots, 157 of which have settled since balance date, with a further 532 lots currently expected to settle by 30 June 2019 (including 62 apartments in the GEM building at 'Waterline', Victoria and 95 lots in Stages 4 and 5 at Lyndarum North, Victoria), de-risking some second half revenues and generating good cash inflow.

The stronger second half outlook enabled the Directors to declare an interim dividend of 1.0 cent per share fully franked, bringing to 4.0 cents per share dividends (including the 3 cents per share final dividend for FY18) paid during FY19. The DRP is suspended as Directors do not believe that it is in the best interests of shareholders to issue new stock at this time.

Directors' Report

For the half-year ended 31 December 2018

OPERATING AND FINANCIAL REVIEW (continued)

Balance Sheet and Land Holdings

Controlled land of 9,864 lots was down in comparison with the previous corresponding half (31 December 2017: 10,264 lots) but was up 5.2% from the level at 30 June 2018 (9,373 lots), due mainly to the settlement of the 'Hall Farm', New Zealand acquisition (582 lot equivalents), reported in the previous financial year. A site located in Mernda, Victoria (230 lot equivalents) was contracted during the period but is not expected to settle for 12 months because the acquisition is conditional upon planning outcomes, and due to these preconditions, it was not recognised in the first half accounts.

Work in progress was up half-on-half to 2,241 lots at balance date (31 December 2017: 1,991 lots) and from the position at 30 June 2018 (up 15% from 1,949 lots). 476 of these lots are presold, most are scheduled for completion before the end of May 2019, and all are expected to settle before financial year end, which puts the level of work in progress into its proper context.

AVJennings' completed, unsold stock level remains low and management continues to take action to ensure that new production commitments appropriately reflect perceived demand on a project-by-project basis. Pleasingly, the volume of aged, completed, unsold dwellings in Queensland reduced significantly during the half and management is now focused on selling down 21 recently completed dwellings at 'Arcadian Hills', Cobbitty, New South Wales during the second half.

Gearing (net debt/ total assets) remained low at 28.8% (total net debt $196.8M), up from the position in the previous corresponding half (31 December 2017: 25.5%) and as at 30 June 2018 (20.40%) due principally to the settlement of Hall Farm.

Outlook

Purchaser confidence subsided over the past six months and prices in the major established housing markets are correcting as a result. Management does not anticipate any material change in conditions until after the New South Wales and Federal elections have occurred and therefore expects that the full year result will be softer than that for the prior year.

The Company believes that confidence is being supressed by a combination of political uncertainty (especially Federal tax policy), sensationalist press commentary about the outlook for residential markets and the relatively sudden tapering of residential property lending appetite of banks. While improving affordability is encouraging the return of first homebuyers to the market, the impact of slower loan decisions and tighter credit conditions is significant, including second and subsequent buyers are no longer confident to contract prior to selling their existing home. These have slowed the transaction chain across the board.

On a more positive note, Australia stands alone in having experienced continuous GDP growth for the past 28 years and on balance this is expected to continue for at least the next 12 months, albeit there is risk that global headwinds may strengthen. Domestically, growth will continue to be supported by the accommodative monetary policy stance of the Reserve Bank of Australia and export-oriented industries will benefit from continued softening in the value of the Australian dollar. Additionally, Federal Government spending is likely to rise as the major political parties make significant pledges in support of their electoral campaigns.

Directors' Report
For the half-year ended 31 December 2018

OPERATING AND FINANCIAL REVIEW (continued)

AVJennings is confident that the current, subdued market conditions reflect current consumer sentiment and do not represent 'the new normal', because market fundamentals remain sound. Overall, the domestic macroeconomic outlook is positive, with interest rates likely to remain lower for longer; inflation and wages starting to pick up; improving affordability and continuing positive net migration into the major capital cities, all of which will support future demand for affordable dwellings. Importantly, the banking regulator APRA has acknowledged that some of the curbs imposed upon bank lending over the past few years have done their job and must be reconsidered to avoid unintended consequences, particularly as new construction activity diminishes, and developers pare back supply.

DIVIDENDS

A fully franked final dividend of 3.0 cents per share for the year ended 30 June 2018 was paid on 11 October 2018 (30 June 2017 fully franked final dividend: 3.5 cents). Subsequent to the end of the half year, the Directors have recommended a fully franked interim dividend of 1.0 cents per share to be paid on 22 March 2019. The Dividend Reinvestment Plan is 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 2018 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 half-year ended 31 December 2018

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
11 February 2019

Ernst & Young
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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 2018, 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

Glenn Maris
Partner
11 February 2019

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Continuing operations			
Revenue from contracts with customers	3	113,246	-
Sales of land and built form	4	-	184,218
Management fees	4	-	421
Revenue		**113,246**	**184,639**
Cost of sales	4	(89,124)	(138,167)
Gross profit		**24,122**	**46,472**
Share of net loss of joint ventures	11	(11)	(142)
Fair value adjustment of financial asset		(333)	-
Fair value adjustment to investment property	12	780	-
Selling and marketing expenses		(3,566)	(4,385)
Employee expenses		(12,282)	(12,923)
Other operational expenses		(2,952)	(3,359)
Management and administration expenses		(3,996)	(4,211)
Depreciation expense		(108)	(141)
Finance income		416	773
Finance costs	4	(64)	(107)
Other income	4	161	415
Profit before income tax		**2,167**	**22,392**
Income tax	5	(746)	(6,910)
Profit after income tax		**1,421**	**15,482**
Net profit		**1,421**	**15,482**
Other comprehensive income (OCI)			
Foreign currency translation		1,036	(770)
Other comprehensive income/(loss)		**1,036**	**(770)**
Total comprehensive income		**2,457**	**14,712**
Profit attributable to owners of the Company		**1,421**	**15,482**
Total comprehensive income attributable to owners of the Company		**2,457**	**14,712**
Earnings per share (cents per share):			
Basic earnings per share		0.36	4.03
Diluted earnings per share		0.36	4.03

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents		2,716	8,491
Receivables		26,154	95,096
Inventories		250,623	193,340
Other assets		3,077	7,150
Total current assets		**282,570**	**304,077**
Non-current assets			
Receivables		12,147	24,329
Inventories		370,015	295,037
Investment Property	12	1,750	-
Equity accounted investments		10,512	10,721
Financial assets		2,547	2,880
Plant and equipment		1,146	536
Intangible assets		2,816	2,816
Total non-current assets		**400,933**	**336,319**
Total assets		**683,503**	**640,396**
Current liabilities			
Payables		43,110	38,358
Borrowings		58,998	13,407
Tax payable		849	10,597
Provisions		5,290	6,019
Total current liabilities		**108,247**	**68,381**
Non-current liabilities			
Payables		33,177	23,397
Borrowings		140,533	125,799
Deferred tax liabilities		15,903	23,079
Provisions		686	742
Total non-current liabilities		**190,299**	**173,017**
Total liabilities		**298,546**	**241,398**
Net assets		**384,957**	**398,998**
Equity			
Contributed equity	7	174,930	167,943
Reserves		8,097	6,906
Retained earnings		201,930	224,149
Total equity		**384,957**	**398,998**

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

		Attributable to equity holders of AVJennings Limited				Total Equity
		Contributed Equity	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	
	Note	$'000	$'000	$'000	$'000	$'000
At 1 July 2017		**160,436**	**3,724**	**2,898**	**213,945**	**381,003**
Comprehensive income:						
Profit for the half-year		-	-	-	15,482	15,482
Other comprehensive loss for the half-year		-	(770)	-	-	(770)
Total comprehensive income for the half-year		**-**	**(770)**	**-**	**15,482**	**14,712**
Transactions with owners in their capacity as owners:						
- Share-based payment expense		-	-	433	-	433
- Dividends paid	6	-	-	-	(13,454)	(13,454)
Total transactions with owners in their capacity as owners		**-**	**-**	**433**	**(13,454)**	**(13,021)**
At 31 December 2017		**160,436**	**2,954**	**3,331**	**215,973**	**382,694**
At 1 July 2018		**167,943**	**3,010**	**3,896**	**224,149**	**398,998**
Effect of adoption of new accounting standard	2	-	-	-	(11,792)	(11,792)
At 1 July 2018 (restated)		**167,943**	**3,010**	**3,896**	**212,357**	**387,206**
Comprehensive income:						
Profit for the half-year		-	-	-	1,421	1,421
Other comprehensive income for the half-year		-	1,036	-	-	1,036
Total comprehensive income for the half-year		**-**	**1,036**	**-**	**1,421**	**2,457**
Transactions with owners in their capacity as owners:						
- Ordinary share capital raised	7(a)	7,480	-	-	-	7,480
- Treasury shares acquired	7(b)	(493)	-	-	-	(493)
- Share-based payment expense reversed (lapsed rights)		-	-	(380)	-	(380)
- Share-based payment expense		-	-	535	-	535
- Dividends paid	6	-	-	-	(11,848)	(11,848)
Total transactions with owners in their capacity as owners		**6,987**	**-**	**155**	**(11,848)**	**(4,706)**
At 31 December 2018		**174,930**	**4,046**	**4,051**	**201,930**	**384,957**

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		141,220	239,367
Payments to other suppliers and employees (inclusive of GST)		(183,793)	(224,724)
Interest paid		(5,861)	(6,845)
Income tax paid		(12,686)	(8,836)
Net cash used in operating activities		**(61,120)**	**(1,038)**
Cash flows from investing activities			
Payments for plant and equipment		(733)	(4)
Interest received		416	773
Distributions received from joint venture entities		198	-
Investments in joint venture entities		-	(2,048)
Net cash used in investing activities		**(119)**	**(1,279)**
Cash flows from financing activities			
Proceeds from borrowings		149,525	112,596
Repayment of borrowings		(89,200)	(92,599)
Payment for treasury shares	7(b)	(493)	-
Dividends paid	6	(11,848)	(13,454)
Proceeds from issue of shares	7(a)	7,480	-
Net cash from financing activities		**55,464**	**6,543**
Net (decrease)/increase in cash and cash equivalents		**(5,775)**	**4,226**
Cash and cash equivalents at beginning of the half-year		8,491	15,562
Effects of exchange rate changes on cash and cash equivalents		-	(314)
Cash and cash equivalents at end of the half-year		**2,716**	**19,474**

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 11 February 2019. 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 2018 and considered together with any public announcements made by AVJennings Limited during the half-year ended 31 December 2018 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. Except for the application of AASB 9 and AASB 15 from 1 July 2018, the accounting policies adopted are consistent with those of the previous financial year.

The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an 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.

AASB 9 Financial Instruments: (applied to the Group 1 July 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets.

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For receivables, the Group applies the Standard's simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The adoption of AASB 9 did not have a material impact.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers: (applied to the Group 1 July 2018)

AASB 15 supersedes AASB 11 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The core principle of AASB 15 is that revenue is recognised when control of goods or services passes to the customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. In addition, the standard requires extensive disclosures.

The adoption of AASB 15 did not have any impact on land and built form revenue previously recognised on settlement.

However, the standard materially impacted revenue from land sales previously recognised before settlement. Under the previous standard, AVJennings recognised revenue when the contract for sale was unconditional, significant risks and rewards of ownership had transferred to the buyer, and there was no managerial involvement to a degree usually associated with ownership. AASB 15 is based on the principle that revenue is recognised at a point in time when control of the land or built form passes to the customer. For each sales contract, the relevant facts and circumstances are considered in determining the point at which control passes. Summarised below are the types of contractual arrangements where revenue will continue to be recognised prior to settlement:

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

Except for those circumstances detailed above, all sales will be recognised on settlement under AASB 15.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts that are not completed as at 1 July 2018.

The cumulative effect of initially applying AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information is not restated and continues to be reported under AASB 118 and related interpretations.

Revenue (and associated costs of sales) recognised on sales contracts with builders in Australia which were unconditional but where control had not passed at 30 June 2018, have been reversed through opening retained earnings. The reversal has impacted balance sheet accounts that recorded the original recognition.

The effect of adopting AASB 15 as at 1 July 2018 was as follows:

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers (continued)

	Note	Increase/ (decrease) $000
Assets		
Receivables	(a)	(64,475)
Inventories	(b)	47,533
Total adjustment on assets		**(16,942)**
Liabilities		
Payables	(c)	(96)
Deferred tax liabilities	(d)	(5,054)
Total adjustment on liabilities		**(5,150)**
Equity		
Retained earnings	(e)	(11,792)
Total adjustment on equity		**(11,792)**

(a) Revenue from land sales contracts reversed.
(b) Cost, including capitalised costs relating to contracts reversed.
(c) Sales commissions on contracts reversed.
(d) Tax effect of profit on reversed contracts.
(e) The post tax profit on contracts reversed.

The adoption of AASB 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

Set out below, are the amounts by which each financial statement line item is affected as at, and for, the half year ended 31 December 2018 as a result of the adoption of AASB 15. The first column shows amounts prepared under AASB 15 and the second column shows what the amounts would have been had AASB 15 not been adopted.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers (continued)

		Amounts prepared under		
		AASB 15	**Previous AASB**	**Increase/ (decrease)**
	Note	**$'000**	**$'000**	**$'000**
Continuing operations				
Revenue from contracts with customers	(a)	113,246	-	(113,246)
Sales of land and built form	(a)	-	92,080	92,080
Management fees	(a)	-	676	676
Revenue		**113,246**	**92,756**	**(20,490)**
Cost of sales	(b)	(89,124)	(69,772)	19,352
Gross profit		**24,122**	**22,984**	**(1,138)**
Share of net loss of joint ventures		(11)	(11)	-
Fair value adjustment of financial asset		(333)	(333)	-
Fair value adjustment to investment property		780	780	-
Selling and marketing expenses	(c)	(3,566)	(3,575)	(9)
Employee expenses		(12,282)	(12,282)	-
Other operational expenses		(2,952)	(2,952)	-
Management and administration expenses		(3,996)	(3,996)	-
Depreciation expense		(108)	(108)	-
Finance income		416	416	-
Finance costs		(64)	(64)	-
Other income		161	161	-
Profit before income tax		**2,167**	**1,020**	**(1,147)**
Income tax	(d)	(746)	(402)	**344**
Profit after income tax		**1,421**	**618**	**(803)**
Net profit		**1,421**	**618**	**(803)**
Other comprehensive income (OCI)				
Foreign currency translation		1,036	1,036	-
Other comprehensive income		**1,036**	**1,036**	-
Total comprehensive income		**2,457**	**1,654**	**(803)**
Profit attributable to owners of the Company		**1,421**	**618**	**(803)**
Total comprehensive income attributable to owners of the Company		**2,457**	**1,654**	**(803)**
Earnings per share (cents per share):				
Basic earnings per share		0.36	0.16	(0.20)
Diluted earnings per share		0.36	0.16	(0.20)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers (continued)

(a) Revenue from "sales of land and built form" as well as "management fees" disclosed separately under the previous standard, are now included in "revenue from contracts with customers". Revenue recognised under the previous standard is lower because the quantum of revenue recognisable prior to settlement under the previous standard at 31 December 2018, is lower than the amount recognised at 30 June 2018.
(b) Cost and capitalised cost effects in relation to (a) above.
(c) Sales commission adjustments in relation to (a) above.
(d) Tax effect of (a), (b) and (c) above.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers (continued)

		Amounts prepared under		
	Note	AASB 15 $'000	Previous AASB $'000	Increase/ (decrease) $'000
Current assets				
Cash and cash equivalents		2,716	2,716	-
Receivables	(a)	26,154	70,139	43,985
Inventories	(b)	250,623	222,442	(28,181)
Other assets		3,077	3,077	-
Total current assets		**282,570**	**298,374**	**15,804**
Non-current assets				
Receivables		12,147	12,147	-
Inventories		370,015	370,015	-
Investment property		1,750	1,750	-
Equity accounted investments		10,512	10,512	-
Financial assets		2,547	2,547	-
Plant and equipment		1,146	1,146	-
Intangible assets		2,816	2,816	-
Total non-current assets		**400,933**	**400,933**	**-**
Total assets		**683,503**	**699,307**	**15,804**
Current liabilities				
Payables	(c)	43,110	43,215	105
Borrowings		58,998	58,998	-
Tax payable		849	849	-
Provisions		5,290	5,290	-
Total current liabilities		**108,247**	**108,352**	**105**
Non-current liabilities				
Payables		33,177	33,177	-
Borrowings		140,533	140,533	-
Deferred tax liabilities	(d)	15,903	20,613	4,710
Provisions		686	686	-
Total non-current liabilities		**190,299**	**195,009**	**4,710**
Total liabilities		**298,546**	**303,361**	**4,815**
Net assets		**384,957**	**395,946**	**10,989**
Equity				
Contributed equity		174,930	174,930	-
Reserves		8,097	8,097	-
Retained earnings	(e)	201,930	212,919	10,989
Total equity		**384,957**	**395,946**	**10,989**

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers (continued)

(a) Trade receivables are higher as more revenue is recognisable prior to settlement, under the recognition criteria in the previous standard.
(b) Lower inventory under the previous standard is a consequence of more revenue being recognisable as per (a) above.
(c) Sales commissions payable are higher under the previous standard as more revenue is recognisable.
(d) Tax effect of higher revenue recognisable under the previous standard.
(e) The post tax effect of higher revenue recognisable under the previous standard.

AASB 16 Leases: (applicable for the Group 1 July 2019)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. AASB 16, requires more extensive disclosures than under AASB 117.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., computers, printing and photocopying machines) that are considered of low value.

AVJennings has performed an assessment of AASB 16 on its existing operating lease arrangements as a lessee. Based on the preliminary assessment and using a discount rate of approximately 7.5%, the Group would recognise right of use assets approximating 1% of total assets and lease liabilities approximating 2% of total liabilities if the Standard were to be implemented at 31 December 2018. Assuming there are no material changes to the business, AVJennings expects the percentage of right of use assets and lease liabilities to remain at similar levels. The transition adjustment is yet to be determined and will be calculated upon the finalisation of the assessment.

The Group is yet to decide on the transition method that will be adopted.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

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 **31 December 2018**	**NSW** **$'000**	**VIC** **$'000**	**QLD** **$'000**	**SA** **$'000**	**NZ** **$'000**	**Other** **$'000**	**Total** **$'000**
Types of goods or service							
Sale of Land	36,739	8,925	2,104	4,342	-	-	52,110
Sale of Integrated Housing	22,792	10,760	18,560	8,271	-	-	60,383
Sale of Apartments	-	77	-	-	-	-	77
Property Development & Other Services	-	517	159	-	-	-	676
Total Revenue from Contracts with Customers	**59,531**	**20,279**	**20,823**	**12,613**	**-**	**-**	**113,246**
Timing of revenue recognition							
Goods transferred at a point in time	59,531	19,762	20,664	12,613	-	-	112,570
Services transferred over time	-	517	159	-	-	-	676
Total Revenue from Contracts with Customers	**59,531**	**20,279**	**20,823**	**12,613**	**-**	**-**	**113,246**

(b) AASB 15 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 below, this occurs at settlement when legal title passes and an enforceable right to payment exists.

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 sales of land on deferred terms to builders in New Zealand. The builder gains control of the land on completion of physical works and can commence building at that point.
- 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 sales of land to builders in Australia under put and call arrangements where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land on completion of the physical works and can commence building at that point.

(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. The group discounts the balances in respect of these contracts to reflect the present value of expected cash inflows.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

4. INCOME AND EXPENSES

	31 December 2018 $'000	31 December 2017 $'000
Revenues		
Sales of land and built form	-	184,218
Management fees	-	421
Revenue from contracts with customers	113,246	-
Total revenues	**113,246**	**184,639**
Cost of sales include:		
Utilisation of inventory provisions	(291)	(1,281)
Amortisation of finance costs capitalised to inventories	6,299	7,800
Finance income		
Interest from financial assets held for cash management purposes	416	773
Finance costs		
Bank loans and overdrafts	5,861	6,845
Less: Amount capitalised to inventories	(5,797)	(6,738)
Finance costs expensed	**64**	**107**
Other income		
Other items	161	415

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

5. INCOME TAX

	31 December 2018 $'000	31 December 2017 $'000
Income tax expense		
The major components of income tax are:		
Current income tax		
Current income tax charge	2,937	10,214
Adjustment for prior year	93	(7)
Deferred income tax		
Current temporary differences	(2,284)	(3,296)
Adjustment for prior year	-	(1)
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**746**	**6,910**

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	**2,167**	**22,392**
Tax at Australian income tax rate of 30%	650	6,718
Non-deductible share of equity accounted Joint Venture losses	3	42
Other non-deductible items	(53)	194
Assessable/(deductible) foreign jurisdiction gains/(losses)	62	(49)
Effect of lower tax rate in foreign jurisdictions	(9)	13
Adjustment for prior year	93	(8)
Income tax expense	**746**	**6,910**
Effective tax rate	**34%**	**31%**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2018

6. DIVIDENDS

	31 December 2018 $'000	31 December 2017 $'000
Cash dividends declared and paid		
2018 final dividend of 3.0 cents per share, paid 11 October 2018. Fully franked @ 30% tax	11,848	-
2017 final dividend of 3.5 cents per share, paid 19 September 2017. Fully franked @ 30% tax	-	13,454
Total cash dividends declared and paid	**11,848**	**13,454**
Dividends proposed		
2019 interim dividend of 1.0 cents per share, to be paid 22 March 2019. Fully franked @ 30% tax	4,062	-
2018 interim dividend of 2.0 cents per share, paid 19 April 2018. Fully franked @ 30% tax	-	7,688
Total dividends proposed	**4,062**	**7,688**

The Company's Dividend Reinvestment Plan is suspended.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

7. CONTRIBUTED EQUITY

	31 December 2018 Number	30 June 2018 Number	31 December 2018 $'000	30 June 2018 $'000
Ordinary shares	406,230,728	394,926,905	177,961	170,481
Treasury shares	-	(495,632)	(3,031)	(2,538)
Share capital	**406,230,728**	**394,431,273**	**174,930**	**167,943**

(a) Movement in ordinary share capital	**Number**	**Number**	**$'000**	**$'000**
As at the beginning of the year	394,926,905	384,423,851	170,481	162,793
Issued under the Dividend Reinvestment Plan	11,303,823	7,252,488	7,480	5,309
Issued pursuant to the underwriting agreement	-	3,250,566	-	2,379
As at the end of the period	**406,230,728**	**394,926,905**	**177,961**	**170,481**

On 17 August 2018, the Company announced a fully franked final dividend of 3.0 cents per share to be paid on 11 October 2018. The Company also announced the Dividend Reinvestment Plan (DRP) would be reactivated for this dividend.

The DRP offered shares in the capital of the Company (Shares) to each shareholder of the Company with a registered address in Australia and New Zealand (and otherwise as determined pursuant to the DRP) by way of reinvestment of some or all of their dividend entitlement.

The issue price under the DRP was $0.6616 per share, being the average of the daily volume weighted average price of all AVJennings' shares sold on the ASX during the Pricing Period, which commenced on 14 September 2018 and concluded on 20 September 2018, less a 2.5% discount.

On 11 October 2018, AVJennings issued 11,303,823 Shares to shareholders of AVJennings under the DRP. The issued shares raised $7,480,000 in total.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

7. CONTRIBUTED EQUITY (continued)

(b) Movement in treasury shares	31 December 2018 Number	30 June 2018 Number	31 December 2018 $'000	30 June 2018 $'000
As at the beginning of the year	(495,632)	(842,089)	(2,538)	(2,357)
On market acquisition of shares	(699,558)	(248,020)	(493)	(181)
Employee share scheme issue	1,195,190	594,477	-	-
As at the end of the period	**-**	**(495,632)**	**(3,031)**	**(2,538)**

During the year, 699,558 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust at a cost of $493,000.

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 half-year.

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

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 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 2018

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	
	31 December		31 December		31 December		31 December		31 December		31 December		31 December	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenues														
External sales	59,531	85,293	19,762	39,916	20,664	31,216	12,613	27,732	-	61	-	-	112,570	184,218
Management fees	-	-	517	252	159	159	-	10	-	-	-	-	676	421
Total segment revenues	**59,531**	**85,293**	**20,279**	**40,168**	**20,823**	**31,375**	**12,613**	**27,742**	**-**	**61**	**-**	**-**	**113,246**	**184,639**
Results														
Segment results	11,847	27,983	599	1,774	(860)	640	(1,476)	176	793	317	782	1,512	11,685	32,402
Share of loss of joint ventures	-	-	-	(3)	-	-	(9)	(5)	-	-	(2)	(134)	(11)	(142)
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	577	1,188	577	1,188
Fair value adjustments	-	-	780	-	-	-	-	-	-	-	(333)	-	447	-
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	(108)	(141)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(10,359)	(10,808)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(64)	(107)
Profit before tax													2,167	22,392
Income tax													(746)	(6,910)
Net profit													**1,421**	**15,482**

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

8. OPERATING SEGMENTS (continued)

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

Operating Segments	NSW 31 Dec 2018 $'000	NSW 30 Jun 2018 $'000	VIC 31 Dec 2018 $'000	VIC 30 Jun 2018 $'000	QLD 31 Dec 2018 $'000	QLD 30 Jun 2018 $'000	SA 31 Dec 2018 $'000	SA 30 Jun 2018 $'000	NZ 31 Dec 2018 $'000	NZ 30 Jun 2018 $'000	Other 31 Dec 2018 $'000	Other 30 Jun 2018 $'000	Total 31 Dec 2018 $'000	Total 30 Jun 2018 $'000
Assets														
Segment assets	219,455	221,638	198,345	170,326	92,913	108,063	65,185	71,028	91,785	44,128	15,820	25,213	683,503	640,396
Total assets	**219,455**	**221,638**	**198,345**	**170,326**	**92,913**	**108,063**	**65,185**	**71,028**	**91,785**	**44,128**	**15,820**	**25,213**	**683,503**	**640,396**
Liabilities														
Segment liabilities	38,559	26,224	71,861	54,611	5,964	6,507	4,468	4,992	60,825	18,032	116,869	131,032	298,546	241,398
Total liabilities	**38,559**	**26,224**	**71,861**	**54,611**	**5,964**	**6,507**	**4,468**	**4,992**	**60,825**	**18,032**	**116,869**	**131,032**	**298,546**	**241,398**

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

9. NET TANGIBLE ASSET BACKING

	31 December 2018	30 June 2018
Net Tangible Asset backing (NTA) - cents per ordinary share	94.1	100.4

The number of ordinary shares used in the computation of NTA as at 31 December 2018 was 406,230,728 (30 June 2018: 394,431,273). Refer to note 7 for details.

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:

	31 December 2018 $'000	31 December 2017 $'000
Revenues	10	1
Other expenses	(312)	(370)
Loss before income tax	**(302)**	**(369)**
Income tax	91	111
Loss after income tax	**(211)**	**(258)**

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2018

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interests in 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 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 Joint Ventures	**Interest held**		**Share of net loss**	
	31 December 2018	31 December 2017	31 December 2018 $'000	31 December 2017 $'000
Epping JV	-	10.0%	-	(3)
Woodville JV	50.0%	50.0%	(9)	(5)
Pindan Capital Group Dwelling Trust	33.3%	33.3%	(2)	(134)
Loss after income tax			**(11)**	**(142)**

12. INVESTMENT PROPERTY

The Group has recognised an investment property at Waterline Victoria in the period. This relates to a retail space asset, previously classified in inventory, which is now being held for long term yield and capital appreciation.

The Group accounts for its investment property at fair value and revaluations are recognised through profit and loss. The fair value at reporting date is based on an external valuation performed by Knight Frank.

The Capitalisation Approach and Direct Comparison Approach methods have been adopted in determining the fair value.

	2018	**2017**
	$'000	**$'000**
Opening balance at 1 July	-	-
Transfer from inventory	970	-
Net gain from fair value remeasurement	780	-
Closing balance at 31 December	**1,750**	**-**

13. BORROWINGS

The fair value for 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 value of 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.

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 2018

14. 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 2018, amounted to $15,563,000 (30 June 2018: $4,943,000). 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 2018, amounted to $1,148,000 (30 June 2018: $2,135,000). 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 2018, amounted to $36,325,000 (30 June 2018: $28,531,000). No material liability is expected to arise.

15. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2018 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 2018

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 2018 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

11 February 2019

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Independent Auditor's Review Report to the Members of AVJennings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AVJennings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Glenn Maris
Partner
Sydney
11 February 2019