



AVJennings Limited
ABN: 44 004 327 771

31 December 2020 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 2020 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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Results for Announcement to the Market

Appendix 4D for the half-year ended 31 December 2020

	For the half-year ended		Decrease	
	31 December 2020 \$'000	31 December 2019 \$'000	\$'000	%
Revenues	114,569	171,422	(56,853)	(33.2)%
Profit after tax	5,534	8,884	(3,350)	(37.7)%
Net profit attributable to owners of the Company	5,534	8,884	(3,350)	(37.7)%
Dividends	Cents per share		Franked amount per share at 30% tax	
<u>Current period</u>				
Interim dividend	0.7		0.7	
Total dividend	0.7		0.7	
<u>Previous period</u>				
Interim dividend	1.2		1.2	
Total dividend	1.2		1.2	
Record date for determining entitlements to dividend:	12 March 2021			
Payment date:	26 March 2021			
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 2020

The Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2020.

DIRECTORS

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

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
PK Summers	Managing Director and Chief Executive Officer
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
BL Tan	Non-Executive Director
P Kearns	Non-Executive Director

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company recorded Net Profit Before Tax of \$9.5M for the half year ended 31 December 2020 down 24.9% on the previous corresponding period (31 December 2019: \$12.6M) and Profit After Tax of \$5.5M (31 December 2019: \$8.9M). The result includes \$2.7M in Federal Government JobKeeper subsidy.

Business Overview

While revenue was 33.2% lower than in the same period last year, contract signings rose 47.7% to 415 lots, with the relationship between contract signings and revenue reversing in this half. Turnover considerably exceeded contract signings in the first half of FY20 (\$171.4M c.f. \$112.1M), while for the six months to 31 December 2020, contract signings exceeded revenue (\$138.6M c.f. \$114.6M), suggesting a stronger result in the second half of FY21.

The Company previously reported that it expected the second half of FY21 to be stronger than the first and this half will also see revenue recognised from two projects: the 'Empress' apartment building at Waterline Place in Williamstown, Melbourne, which is due for completion in the second half of FY21, and first revenue from 'Ara Hills' in Orewa, New Zealand. Recognising revenue from the first stage of any project is challenging and now that this point has been reached, Ara Hills will be a significant contributor to revenue and profit moving forward.

The reduced profit compared to the previous corresponding period shows the importance of support for the housing industry from the Federal HomeBuilder and various State Government Stamp Duty rebate and other schemes. Other general economic stimulus measures such as JobKeeper had a positive impact, enabling the Company to continue to operate through the pandemic.

Average gross margins rose to 24.3% (31 December 2019: 22.2%) on the back of good margins from the various Cobbitty and Spring Farm estates in Sydney, 'Cadence' in Brisbane and 'Lyndarum North' in Melbourne.

Directors' Report

For the half-year ended 31 December 2020

OPERATING AND FINANCIAL REVIEW (continued)

Profit before tax for the immediately preceding 6 months (2H FY20) was \$0.5M. Profit after tax in the current period was down 37.7% compared to the previous corresponding half, the difference partly due to adjustments required to the manner in which the investment in the Fine China project in Perth is recorded, following the Company's acquisition of 100% control during the first half of FY21.

Balance Sheet and Land Holdings

Net Cash from Operations for the six months was positive at \$17.4M (31 December 2019: \$25.0M), resulting in net debt at 31 December 2020 of \$167.6M. This represents a Net Debt to Total Assets ratio of 24.7%, which leaves the Company well placed to grow.

Much of the positive cashflow arose from reduction of production and the fact that the Company was able to do this from the earliest phase of the pandemic (and subsequently in response to snap lockdowns and other interruptions to normal activity) demonstrates one advantage of its focus on traditional, horizontal development.

Planning and design work continued largely unabated, allowing the Company to commence lifting production later in the period under review, as Government stimulus measures were introduced, and buyer confidence began to return.

The Company also took a cautious approach to new acquisitions, recommencing activity in the latter part of the calendar year, pleasingly consummating one transaction in December relating to a site at Calderwood in Shell Harbour, New South Wales that is forecast to yield some 390 lots. The Company also progressed an option agreement over another site in the Ripley Valley, Queensland (449 lot equivalents that will effectively extend the Company's existing 'Cadence' project).

Total inventory including controlled land under option or conditionally acquired stands at 12,669 lots (31 December 2019: 12,433 lots).

Outlook

AVJennings has a strong balance sheet, with moderate gearing and good liquidity. The Company continues to benefit from industry and other support mechanisms provided by Government and is experiencing an increasing level of activity as its markets recover from the shock of the pandemic.

408 presold lots were carried over first half balance date, 331 of which (having a contract value of \$121.0M) are expected to settle or be revenue-recognised in the second half of the current financial year. A further 118 lots have been contract signed since balance date (to 23rd February 2021), collectively underpinning second half performance. Waterline Place and Ara Hills will be significant contributors to the second half FY21 result.

The Company believes that the HomeBuilder scheme, while undoubtedly successful, dragged forward pre-existing demand by providing the incentive for purchasers to act sooner, rather than creating new demand that would not otherwise have existed. For this reason, the Company is cautiously optimistic that the recovery will continue to consolidate through calendar 2021, notwithstanding the cessation of HomeBuilder at the end of March. Consumer confidence is growing, driven by ready access to low cost finance, slowly rising employment levels and commencement of the COVID-19 vaccination programme in Australia and New Zealand.

Directors' Report

For the half-year ended 31 December 2020

OPERATING AND FINANCIAL REVIEW (continued)

While the timing of resumption of a meaningful level of international migration will become increasingly important as latent domestic demand is absorbed, expatriates continue to return and once borders do reopen, the Company believes that prospective immigrants will view Australia and New Zealand as attractive destinations that managed the impact of the virus relatively better than comparable jurisdictions.

Physical works are forecast to commence on three new projects during the second half: 'Prosper' at Kogarah in Sydney, 'Rosella Rise' at Warnervale on the New South Wales Central Coast and 'Aspect' at Mernda in Melbourne's strong northern corridor.

Interim Dividend

Directors have declared an interim fully franked dividend of 0.7 cents per share. In reaching this decision they considered factors including the strong level of pre-sales carried over balance date and the correlation between earnings and dividends, which in this period were twice the value of the dividend declared. They are aware of the importance of maintaining the support of shareholders and noted the fact that no final dividend was declared for FY20.

The fact that the Company received payments under the JobKeeper scheme was also a relevant consideration, as it facilitated ongoing support of employees and suppliers despite market uncertainty and with that in view, the level of dividends declared is well below the underlying profit net of JobKeeper receipts.

While cognisant of the potential for further volatility created by the pandemic, Directors have confidence in the Company and that the economic recovery will continue.

DIVIDENDS

Subsequent to the end of the half year, the Directors have recommended a fully franked interim dividend of 0.7 cents per share to be paid on 26 March 2021 (1.2 cents per share was declared in respect of the half-ended 31 December 2019). 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 2020 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 2020

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.

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

Peter Summers
Director
25 February 2021



**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 the half-year financial report of AVJennings Limited for the half-year ended 31 December 2020, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Glenn Maris'.

Glenn Maris
Partner
25 February 2021

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2020

		31 December 2020 \$'000	31 December 2019 \$'000
Continuing operations			
Revenue from contracts with customers	3	114,569	171,422
Revenue		114,569	171,422
Cost of sales	4	(86,773)	(133,321)
Gross profit		27,796	38,101
Share of net (loss)/profit of joint ventures	11	(1,966)	15
Change in equity accounted investment provisions	4	1,418	(518)
Change in inventory loss provisions	4	-	(556)
Fair value adjustment to financial asset	13	-	(104)
Selling and marketing expenses		(2,017)	(3,128)
Employee expenses		(9,146)	(13,417)
Other operational expenses		(2,754)	(3,349)
Management and administration expenses		(3,022)	(4,004)
Depreciation and amortisation expenses	4	(966)	(1,082)
Finance income	4	152	571
Finance costs	4	(182)	(181)
Other income	4	171	274
Profit before income tax		9,484	12,622
Income tax	5	(3,950)	(3,738)
Profit after income tax		5,534	8,884
Net profit		5,534	8,884
Other comprehensive income (OCI)			
Foreign currency translation		237	414
Other comprehensive income		237	414
Total comprehensive income		5,771	9,298
Profit attributable to owners of the Company		5,534	8,884
Total comprehensive income attributable to owners of the Company		5,771	9,298
Earnings per share (cents per share):			
Basic earnings per share		1.36	2.19
Diluted earnings per share		1.36	2.19

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 \$'000	30 June 2020 \$'000
Current assets			
Cash and cash equivalents		9,416	5,703
Receivables		7,013	23,036
Inventories		208,213	185,366
Tax receivable		1,221	1,223
Other assets		5,268	4,191
Total current assets		231,131	219,519
Non-current assets			
Receivables		8,699	12,042
Inventories		416,935	401,997
Investment property	12	1,580	1,580
Equity accounted investments		5,087	5,636
Financial asset	13	-	1,695
Plant and equipment		1,081	1,214
Right-of-use assets		5,242	5,978
Intangible assets		2,816	2,816
Other assets		6,728	2,700
Total non-current assets		448,168	435,658
Total assets		679,299	655,177
Current liabilities			
Payables		53,459	16,540
Borrowings		30,000	-
Lease liabilities		1,629	1,542
Tax payable		-	413
Provisions		5,665	5,848
Total current liabilities		90,753	24,343
Non-current liabilities			
Payables		22,505	27,846
Borrowings		147,007	190,110
Lease liabilities		4,320	5,060
Deferred tax liabilities		14,804	14,039
Provisions		650	649
Total non-current liabilities		189,286	237,704
Total liabilities		280,039	262,047
Net assets		399,260	393,130
Equity			
Contributed equity	7	174,179	174,179
Reserves		9,004	8,408
Retained earnings		216,077	210,543
Total equity		399,260	393,130

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	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 2019		174,509	4,256	4,626	212,886	396,277
Effect of adoption of new accounting standard		-	-	-	(416)	(416)
At 1 July 2019 (restated)		174,509	4,256	4,626	212,470	395,861
<i>Comprehensive income:</i>						
Profit for the half-year		-	-	-	8,884	8,884
Other comprehensive income for the half-year		-	414	-	-	414
Total comprehensive income for the half-year		-	414	-	8,884	9,298
<i>Transactions with owners in their capacity as owners:</i>						
- Treasury shares acquired	7(b)	(435)	-	-	-	(435)
- Other transactions	7(b)	105	-	-	-	105
- Share-based payment expense reversed (lapsed rights)		-	-	(225)	-	(225)
- Share-based payment expense		-	-	458	-	458
- Dividends paid	6	-	-	-	(6,093)	(6,093)
Total transactions with owners in their capacity as owners		(330)	-	233	(6,093)	(6,190)
At 31 December 2019		174,179	4,670	4,859	215,261	398,969
At 1 July 2020		174,179	3,028	5,380	210,543	393,130
<i>Comprehensive income:</i>						
Profit for the half-year		-	-	-	5,534	5,534
Other comprehensive income for the half-year		-	237	-	-	237
Total comprehensive income for the half-year		-	237	-	5,534	5,771
<i>Transactions with owners in their capacity as owners:</i>						
- Share-based payment expense		-	-	359	-	359
Total transactions with owners in their capacity as owners		-	-	359	-	359
At 31 December 2020		174,179	3,265	5,739	216,077	399,260

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
	Note	
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	145,392	172,978
Payments to other suppliers and employees (inclusive of GST)	(120,137)	(134,784)
Interest paid	(4,241)	(5,401)
Income tax paid	(3,604)	(7,765)
Net cash from operating activities	17,410	25,028
Cash flows from investing activities		
Payments for plant and equipment	(1)	(472)
Interest received	152	571
Net cash from investing activities	151	99
Cash flows from financing activities		
Proceeds from borrowings	40,163	36,665
Repayment of borrowings	(53,266)	(56,978)
Principal elements of lease payments	(748)	(922)
Net payment for treasury shares	-	(330)
Dividends paid	6	(6,093)
Net cash used in financing activities	(13,851)	(27,658)
Net increase/(decrease) in cash and cash equivalents	3,710	(2,531)
Cash and cash equivalents at beginning of the half-year	5,703	18,209
Effects of exchange rate changes on cash and cash equivalents	3	26
Cash and cash equivalents at end of the half-year	9,416	15,704

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 25 February 2021. The Company is a for profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange 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 2020 and considered together with any public announcements made by AVJennings Limited during the half-year ended 31 December 2020 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.

Some amendments and interpretations apply for the first time in 2021, 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.

JobKeeper Payment Scheme

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

The Group was eligible for JobKeeper payments from 30 March 2020 to 3 January 2021. Payments have been accounted for in accordance with *AASB 120 – Accounting for Government Grants and Disclosure of Government Assistance*. A total amount of \$2,728,000 has been claimed in the half-year to 31 December 2020. The credit has been recorded as an offset against employee expenses in the *Consolidated Statement of Comprehensive Income*.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

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 2020	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other \$'000	Total \$'000
Types of goods or services							
Sale of Land	9,655	11,898	27,937	4,663	-	-	54,153
Sale of Integrated Housing	29,207	12,027	6,114	5,794	1,515	-	54,657
Sale of Apartments	-	2,638	-	-	-	1,297	3,935
Property Development & Other Services	317	1,507	-	-	-	-	1,824
Total Revenue from Contracts with Customers	39,179	28,070	34,051	10,457	1,515	1,297	114,569

Timing of revenue recognition							
Goods transferred at a point in time	38,862	26,563	34,051	10,457	1,515	1,297	112,745
Services transferred over time	317	1,507	-	-	-	-	1,824
Total Revenue from Contracts with Customers	39,179	28,070	34,051	10,457	1,515	1,297	114,569

Operating Segments 31 December 2019	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other \$'000	Total \$'000
Types of goods or services							
Sale of Land	29,290	11,540	27,382	3,879	25,317	-	97,408
Sale of Integrated Housing	41,809	11,911	5,138	3,803	5,546	-	68,207
Sale of Apartments	-	4,319	-	-	-	-	4,319
Property Development & Other Services	163	1,325	-	-	-	-	1,488
Total Revenue from Contracts with Customers	71,262	29,095	32,520	7,682	30,863	-	171,422

Timing of revenue recognition							
Goods transferred at a point in time	71,099	27,770	32,520	7,682	30,863	-	169,934
Services transferred over time	163	1,325	-	-	-	-	1,488
Total Revenue from Contracts with Customers	71,262	29,095	32,520	7,682	30,863	-	171,422

(b) Revenue recognition accounting policy

(i) Sale of land, integrated housing and apartments

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

3. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

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

- Revenue from 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 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.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

4. INCOME AND EXPENSES

	31 December 2020 \$'000	31 December 2019 \$'000
Revenues		
Revenue from contracts with customers	114,569	171,422
Total revenues	114,569	171,422
Cost of sales include:		
Utilisation of inventory provisions	(71)	(347)
Amortisation of finance costs capitalised to inventories	3,470	4,918
Impairment of assets		
(Reversal)/provision - equity accounted investment	(1,418)	518
Increase in inventory loss provisions	-	(556)
Depreciation and amortisation expense		
Depreciation of owned assets	134	144
Amortisation of right-of-use assets	832	938
Total depreciation and amortisation expense	966	1,082
Finance income		
Interest from financial assets held for cash management purposes	152	571
Finance costs		
Bank loans and overdrafts	4,065	5,252
Interest on lease liabilities	176	149
Less: Amount capitalised to inventories	(4,059)	(5,220)
Finance costs expensed	182	181
Other income		
Rent from investment property	35	67
Sundry income	136	207
Total other income	171	274

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

5. INCOME TAX

	31 December 2020 \$'000	31 December 2019 \$'000
Income tax expense		
The major components of income tax are:		
Current income tax		
- Current income tax charge	3,149	3,784
- Adjustment for prior year	35	226
Deferred income tax		
- Current temporary differences	766	(105)
- Adjustment for prior year	-	(167)
Income tax reported in the Consolidated Statement of Comprehensive Income	3,950	3,738

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	9,484	12,622
Tax at Australian income tax rate of 30%	2,845	3,787
Net share of equity accounted joint venture loss/(gain)	590	(5)
Share-based payment expenses	108	(29)
Deferred tax asset not recoverable	356	-
Other non-deductible items	7	34
Foreign jurisdiction gains/(losses)	3	(5)
Effect of lower tax rate in foreign jurisdiction	6	(103)
Adjustment for prior year	35	59
Income tax expense	3,950	3,738
Effective tax rate	42%	30%

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

6. DIVIDENDS

	31 December 2020 \$'000	31 December 2019 \$'000
Cash dividends declared and paid		
2019 final dividend of 1.5 cents per share, paid 20 September 2019. Fully franked @ 30% tax	-	6,093
Total cash dividends declared and paid	-	6,093
Dividends proposed		
2021 interim dividend of 0.7 cents per share, to be paid 26 March 2021. Fully franked @ 30% tax	2,844	-
2020 interim dividend of 1.2 cents per share, paid 27 March 2020. Fully franked @ 30% tax	-	4,875
Total dividends proposed	2,844	4,875

The Company's Dividend Reinvestment Plan is suspended.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

7. CONTRIBUTED EQUITY

	31 December 2020 Number	30 June 2020 Number	31 December 2020 \$'000	30 June 2020 \$'000
Ordinary shares	406,230,728	406,230,728	177,961	177,961
Treasury shares	-	-	(3,782)	(3,782)
Share capital	406,230,728	406,230,728	174,179	174,179
(a) Movement in ordinary share capital	Number	Number	\$'000	\$'000
At beginning and end of the period	406,230,728	406,230,728	177,961	177,961
(b) Movement in treasury shares	Number	Number	\$'000	\$'000
As at the beginning of the year	-	(762,619)	(3,782)	(3,452)
On market acquisition of shares	-	(757,523)	-	(435)
Excess funds received from AVJDESP	-	-	-	105
Employee share scheme issue	-	1,520,142	-	-
At the end of the period	-	-	(3,782)	(3,782)

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 (AVJDESP) 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.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

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 revenue from sales of apartments in Western Australia.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues														
External sales	38,862	71,099	26,563	27,770	34,051	32,520	10,457	7,682	1,515	30,863	1,297	-	112,745	169,934
Management fees	317	163	1,507	1,325	-	-	-	-	-	-	-	-	1,824	1,488
Total segment revenues	39,179	71,262	28,070	29,095	34,051	32,520	10,457	7,682	1,515	30,863	1,297	-	114,569	171,422
Results														
Segment results	7,598	9,797	3,254	4,884	5,578	3,305	(66)	(989)	10	5,605	519	254	16,893	22,856
Share of (loss)/profit of joint ventures	-	-	-	-	-	-	-	-	-	-	(1,966)	15	(1,966)	15
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	288	778	288	778
Rent from investment property	-	-	35	67	-	-	-	-	-	-	-	-	35	67
Change in inventory loss provisions	-	-	-	-	-	(556)	-	-	-	-	-	-	-	(556)
Fair value adjustments	-	-	-	-	-	-	-	-	-	-	-	(104)	-	(104)
Reversal/(provision) - equity accounted investment	-	-	-	-	-	-	-	-	-	-	1,418	(518)	1,418	(518)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(7,002)	(9,735)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(182)	(181)
Profit before tax													9,484	12,622
Income tax													(3,950)	(3,738)
Net profit													5,534	8,884

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

8. OPERATING SEGMENTS (continued)

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

<i>Operating Segments</i>	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets														
Segment assets	164,682	172,600	194,079	165,975	119,040	128,513	51,931	56,954	111,193	107,901	38,374	23,234	679,299	655,177
Total assets	164,682	172,600	194,079	165,975	119,040	128,513	51,931	56,954	111,193	107,901	38,374	23,234	679,299	655,177
Liabilities														
Segment liabilities	25,097	22,497	36,513	10,182	4,606	4,458	1,114	1,227	51,443	48,680	161,266	175,003	280,039	262,047
Total liabilities	25,097	22,497	36,513	10,182	4,606	4,458	1,114	1,227	51,443	48,680	161,266	175,003	280,039	262,047

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

9. NET TANGIBLE ASSET BACKING

	31 December 2020	30 June 2020
Net Tangible Asset backing (NTA) - cents per ordinary share	97.6	96.1

The number of ordinary shares used in the computation of NTA as at 31 December 2020 was 406,230,728 (30 June 2020: 406,230,728). Refer to note 7 for details.

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

10. INTEREST IN JOINT OPERATIONS

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

	31 December 2020 \$'000	31 December 2019 \$'000
Revenues	11,898	11,579
Cost of sales	(7,810)	(7,159)
Other expenses	(605)	(633)
Profit before income tax	3,483	3,787
Income tax	(1,045)	(1,136)
Profit after income tax	2,438	2,651

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in a joint venture 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 are recognised in the *Consolidated Statement of Comprehensive Income*, and the share of movements in reserves is recognised in the *Consolidated Statement of Financial Position*. The information is set out below:

Equity accounted joint ventures	Interest held		Share of (loss)/profit	
	31 December 2020	31 December 2019	31 December 2020 \$'000	31 December 2019 \$'000
Pindan Capital Group Dwelling Trust	33.3%	33.3%	(1,966)	15
(Loss)/profit after income tax			(1,966)	15

12. INVESTMENT PROPERTY

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

The Capitalisation Approach using a capitalisation rate of 7.00%, and Direct Comparison Approach methods have been adopted in determining the fair value.

	31 December 2020 \$'000	30 June 2020 \$'000
Opening balance at 1 July	1,580	1,770
Loss from fair value remeasurement	-	(190)
Closing balance	1,580	1,580

13. FINANCIAL ASSET

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

14. BORROWINGS

The 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 2020

15. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group's bankers in the normal course of business to unrelated parties, at 31 December 2020, amounted to \$4,877,000 (30 June 2020: \$15,894,000). No material liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 31 December 2020, amounted to \$1,049,000 (30 June 2020: \$1,031,000). No material liability is expected to arise.

Unsecured

Contract performance bond facility

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to Contract performance bond facilities. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 31 December 2020, amounted to \$24,238,000 (30 June 2020: \$30,377,000). No material liability is expected to arise.

16. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2020 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 2020

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 2020 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.

A handwritten signature in black ink, appearing to be "PS" or similar initials, written in a cursive style.

Peter Summers
Director

25 February 2021



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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 2020, 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 2020 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 2020 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.



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Ernst & Young

A handwritten signature in black ink that reads 'Glenn Maris' in a cursive style.

Glenn Maris
Partner
Sydney
25 February 2021