



AVJennings Limited
ABN: 44 004 327 771

31 December 2021 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 2021 and public announcements made by AVJennings Limited during the interim reporting period.



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AVJennings®

Results for Announcement to the Market

Appendix 4D for the half-year ended 31 December 2021

	For the half-year ended		Increase	
	31 December 2021 \$'000	31 December 2020 \$'000	\$'000	%
Revenues	116,876	114,569	2,307	2.0%
Profit after tax	8,144	5,534	2,610	47.2%
Profit attributable to owners of the Company	8,144	5,534	2,610	47.2%
Dividends	Cents per share		Franked amount per share at 30% tax	
<u>Current period</u>				
Interim dividend	1.1		1.1	
Total dividend	1.1		1.1	
<u>Previous period</u>				
Interim dividend	0.7		0.7	
Total dividend	0.7		0.7	
Record date for determining entitlements to dividend:	10 March 2022			
Payment date:	25 March 2022			
<i>The Operating and Financial Review in the Directors' Report provides an explanation of the results.</i>				

Directors' Report

For the half-year ended 31 December 2021

The Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2021.

DIRECTORS

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

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
P Kearns	Chief Executive Officer and Managing Director <i>(appointed CEO on 10 January and MD on 17 February 2022, formerly Non-Executive Director)</i>
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
L Chung	Non-Executive Director
LM Mak	Non-Executive Director <i>(appointed 15 October 2021)</i>
PK Summers	Managing Director and Chief Executive Officer <i>(retired 1 January 2022)</i>
BL Tan	Non-Executive Director <i>(retired 14 October 2021)</i>

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company recorded Net Profit Before Tax of \$10.6M for the half year ended 31 December 2021 up 11.6% on the previous corresponding period (31 December 2020: \$9.5M) and Profit After Tax of \$8.1M (31 December 2020: \$5.5M).

The result is after an accrual of severance, rights plan and motor vehicle amounts payable to the previous Chief Executive Officer on 31 March 2022, approved by shareholders at the Annual General Meeting held on 14 October 2021.

Business Overview

While 340 lots settled was lower than the previous corresponding period, average contract value was higher and revenue rose by 2% to \$116.9M (31 December 2020: 395 settlements, \$114.6M).

Revenue from built form (integrated housing and apartments) predominated, accounting for approximately 53.5% of total revenue (31 December 2020: 51.1%), although the mix differed from the prior corresponding half. There was a more significant contribution from apartments, as the bulk of dwellings in the 'Empress' building at 'Waterline Place' in Williamstown Melbourne settled, together with some legacy apartments in the 'Indigo' and 'Viridian' buildings in Subiaco Perth. While revenue from integrated housing fell to \$46.1M (31 December 2020: \$54.7M), this reflects timing differences in completion that affected settlements only, as the number of detached houses and townhouses under construction was stable at 189 dwellings (31 December 2020: 186 dwellings), with 68 dwellings starting during the half (31 December 2020: 75 dwellings).

Directors' Report

For the half-year ended 31 December 2021

OPERATING AND FINANCIAL REVIEW (continued)

The Company is also planning further integrated building commencements in the second half. While it takes more capital and an average of 7 months to complete a detached house, land is expensive to replace and building on our own account enables us to enhance the return by extracting maximum value from a scarce resource.

Average gross and net margins rose to 28.7% (31 December 2020: 24.3%) and 9.1% (31 December 2020: 8.3%) respectively, on the back of good margins from various Cobbitty and Spring Farm estates in Sydney, 'Lyndarum North' in Wollert Melbourne, 'Cadence' in Ripley Brisbane, Ara Hills in Auckland New Zealand, and 'Eyre' in Penfield Adelaide.

Earnings per share rose to 2.0 cents, up from 1.36 cents in the prior corresponding period.

Balance Sheet and Land Holdings

Net Cash from Operations for the six months rose strongly to \$31.2M (31 December 2020: \$17.4M), resulting in net debt on 31 December 2021 of \$102.5M (30 June 2021: \$125.4M). This represents a Net Debt to Total Assets ratio of 15.5% (30 June 2021: 20.1%), which leaves the Company well placed to expand activity in the second half of fiscal 2022 and beyond.

Work-in-Progress stood at 1,748 lots, well up on the prior two balance dates (31 December 2020: 1,225 lots and 30 June 2021: 1,537 lots) as the Company worked to recover ground lost in the earliest phase of the pandemic. We expect to complete around 715 of these lots in the second half of fiscal 2022 (comprises land-only lots, integrated houses, and apartments). This increase in work-in-progress is expected to result in higher completions/settlements during the second half.

The Company acquired 663 lots in the south-east of Melbourne at Clyde South. Quality sites remain scarce and competition is strong, however we are confident that we will continue to convert our pipeline of opportunities to meet our future demands and further grow the business.

Total inventory including controlled land under option (3,500 lot equivalents in Caboolture, Queensland and 390 lot equivalents at Calderwood, NSW) stands at 12,117 lots (30 June 2021: 12,180 lots). This includes the 663 lot equivalents acquired in Clyde South bringing total inventory in line with the balance at the end of the prior period.

Outlook

Contract signings rose 21.0% to 502 lots (31 December 2020: 415 lots).

586 presold lots were carried over first half balance date (31 December 2020: 408 presales), 452 of which (having a contract value of \$151M) are expected to settle or be revenue-recognised in the second half of the current financial year (31 December 2020: 331 lots/ \$121M). A further 46 lots have been contract signed since balance date (to 31 January 2022), collectively supporting second half performance.

Activity is anticipated to be well-spread across the business, with the Spring Farm and Cobbitty communities in south-western Sydney; 'Riverton' in Jimboomba and 'Cadence' in Brisbane; 'Lyndarum North' and 'Waterline Place' in Melbourne, as well as Ara Hills in Auckland all expected to contribute meaningfully to second half performance. Pleasingly, substantial revenue is also expected to flow from new projects 'Rosella Rise' in Warnervale New South Wales and 'Aspect' in Mernda Melbourne.

Directors' Report

For the half-year ended 31 December 2021

OPERATING AND FINANCIAL REVIEW (continued)

AVJennings has a strong balance sheet, with moderate gearing and good liquidity that will enable it to continue to expand its acquisition, land development and building activities. While much will depend upon how the pandemic evolves, the Company believes that demand in its major eastern Australian markets and in Auckland, New Zealand will remain firm over the next 12-24 months, as we adjust to living with Covid and net migration gathers pace with borders gradually reopening (and remaining open).

This view is maintained notwithstanding some expected softening in the rate of price escalation and marginal demand from cyclical highs reached over the past 12 months in response to strong government stimulus, as affordability measures once again exhibit pressure and lenders tighten portfolio controls, individual loan to valuation ratio and servicing thresholds. Additionally, core inflation is beginning to rise (albeit from a very low level), reducing real wages, and raising the prospect of interest rate tightening well ahead of the Reserve Bank of Australia's previously indicated 2024 timetable. The Reserve Bank of New Zealand has already lifted its cash rate (off a very low base) and further rises are likely within the next 12 months.

While pandemic-induced supply chain constraints on key material and labour inputs will lengthen land development and built form production timeframes, slowing the delivery of completed product and the ability of some end purchasers to contract by at least several months. However, this will simultaneously assist to maintain demand-side pressure.

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

DIVIDENDS

The quality of the first half result, coupled with the strong level of presales carried over balance date and their positive outlook for the second half, led Directors to declare a fully franked interim cash dividend of 1.1 cents per share (31 December 2020: 0.7 cents per share), representing a yield of 2.7% (based upon January 2022 VWAP of 58.3 cents). The dividend is to be paid on 25 March 2022.

COMPARATIVE FIGURES

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

Directors' Report

For the half-year ended 31 December 2021

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

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

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.



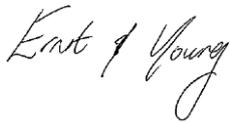
Philip Kearns AM
Director
17 February 2022

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 2021, 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 audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Glenn Maris
Partner
17 February 2022

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2021

		31 December 2021	31 December 2020
	Note	\$'000	\$'000
Continuing operations			
Revenue from contracts with customers	3	116,876	114,569
Revenue		116,876	114,569
Cost of sales	4	(83,300)	(86,773)
Gross profit		33,576	27,796
Share of gain/(loss) of joint ventures	11	1,759	(1,966)
Change in equity accounted investment provisions	4	(1,489)	1,418
Fair value adjustment to investment property	12	(20)	-
Selling and marketing expenses		(1,407)	(2,017)
Employee expenses	4	(15,508)	(9,146)
Other operational expenses		(2,271)	(2,754)
Management and administration expenses		(3,217)	(3,022)
Depreciation and amortisation expenses	4	(887)	(966)
Finance income	4	73	152
Finance costs	4	(137)	(182)
Other income	4	113	171
Profit before income tax		10,585	9,484
Income tax	5	(2,441)	(3,950)
Profit after income tax		8,144	5,534
Other comprehensive income (OCI)			
Foreign currency translation gain		856	237
Other comprehensive income		856	237
Total comprehensive income		9,000	5,771
Profit attributable to owners of the Company		8,144	5,534
Total comprehensive income attributable to owners of the Company		9,000	5,771
Earnings per share (cents):			
Basic earnings per share		2.00	1.36
Diluted earnings per share		2.00	1.36

Consolidated Statement of Financial Position

As at 31 December 2021

		31 December 2021 \$'000	30 June 2021 \$'000
	Note		
Current assets			
Cash and cash equivalents		5,671	13,099
Receivables		24,392	46,030
Inventories		167,968	152,155
Tax receivable		500	222
Other assets		3,568	3,613
Total current assets		202,099	215,119
Non-current assets			
Receivables		999	163
Inventories		441,438	388,662
Investment property	12	1,740	1,760
Equity accounted investments		5,165	4,895
Plant and equipment		2,085	2,010
Right-of-use assets		4,380	4,923
Intangible assets		2,816	2,816
Other assets		-	4,920
Total non-current assets		458,623	410,149
Total assets		660,722	625,268
Current liabilities			
Payables		47,971	32,335
Lease liabilities		922	1,189
Tax payable		822	1,342
Provisions		6,964	7,070
Total current liabilities		56,679	41,936
Non-current liabilities			
Payables		66,152	15,545
Borrowings		108,125	138,549
Lease liabilities		3,819	4,054
Deferred tax liabilities		14,791	15,066
Provisions		970	1,009
Total non-current liabilities		193,857	174,223
Total liabilities		250,536	216,159
Net assets		410,186	409,109
Equity			
Contributed equity	7	173,740	173,740
Reserves		9,198	8,953
Retained earnings		227,248	226,416
Total equity		410,186	409,109

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Note	Attributable to equity holders of AVJennings Limited			Total Equity	
		Contributed Equity \$'000	Foreign Currency Translation Reserve \$'000	Share-based Payment Reserve \$'000	Retained Earnings \$'000	\$'000
At 1 July 2020		174,179	3,028	5,380	210,543	393,130
<i>Comprehensive income:</i>						
Profit for the half-year		-	-	-	5,534	5,534
Gain 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
At 1 July 2021		173,740	2,843	6,110	226,416	409,109
<i>Comprehensive income:</i>						
Profit for the half-year		-	-	-	8,144	8,144
Gain for the half-year		-	856	-	-	856
Total comprehensive income for the half-year		-	856	-	8,144	9,000
<i>Transactions with owners in their capacity as owners:</i>						
- Share-based payment expense reversed		-	-	(909)	-	(909)
- Share-based payment expense		-	-	298	-	298
- Dividends paid	6	-	-	-	(7,312)	(7,312)
Total transactions with owners in their capacity as owners		-	-	(611)	(7,312)	(7,923)
At 31 December 2021		173,740	3,699	5,499	227,248	410,186

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		149,366	145,392
Payments to other suppliers and employees (inclusive of GST)		(111,163)	(120,137)
Interest paid	4	(3,508)	(4,241)
Income tax paid		(3,542)	(3,604)
Net cash from operating activities		31,153	17,410
Cash flows from investing activities			
Payments for plant and equipment		(171)	(1)
Interest received	4	73	152
Net cash (used in)/from investing activities		(98)	151
Cash flows from financing activities			
Proceeds from borrowings		41,236	40,163
Repayment of borrowings		(71,660)	(53,266)
Principal element of lease payments		(747)	(748)
Dividends paid	6	(7,312)	-
Net cash used in financing activities		(38,483)	(13,851)
Net (decrease)/increase in cash and cash equivalents		(7,428)	3,710
Cash and cash equivalents at beginning of the year		13,099	5,703
Effects of exchange rate changes on cash and cash equivalents		-	3
Cash and cash equivalents at end of the period		5,671	9,416

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 17 February 2022. The Company is a for profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and the Singapore Exchange through SGX GlobalQuote.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2021 and considered together with public announcements made by AVJennings Limited during the half-year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX listing rules.

This Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated. The accounting policies adopted are consistent with those of the previous financial year.

Some amendments and interpretations apply for the first time in 2022, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

Comparative Figures

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

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

Operating Segments 31 December 2021	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other * \$'000	Total \$'000
Types of goods or services							
Sale of land	7,643	7,640	21,539	4,312	11,488	-	52,622
Sale of integrated housing	27,352	12,173	4,474	2,117	-	-	46,116
Sale of apartments	-	12,124	-	-	-	4,333	16,457
Property development & other services	-	1,681	-	-	-	-	1,681
Total revenue from contracts with customers	34,995	33,618	26,013	6,429	11,488	4,333	116,876

Timing of revenue recognition							
Goods transferred at a point in time	34,995	31,937	26,013	6,429	11,488	4,333	115,195
Services transferred over time	-	1,681	-	-	-	-	1,681
Total revenue from contracts with customers	34,995	33,618	26,013	6,429	11,488	4,333	116,876

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

*Relates to Western Australia

(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 2021

3. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

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

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

(ii) Property development and other services

AVJennings Properties Limited 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 2021

4. INCOME AND EXPENSES

	31 December 2021 \$'000	31 December 2020 \$'000
Revenues		
Revenue from contracts with customers	116,876	114,569
Total revenues	116,876	114,569
Cost of sales include:		
Utilisation of inventory provisions	(1,948)	(71)
Amortisation of finance costs capitalised to inventories	3,536	3,470
Impairment of assets		
Provision/(reversal) - equity accounted investment	1,489	(1,418)
Employee expenses include:		
JobKeeper payment credits	-	(2,728)
Retirement payment to Key Management Personnel	2,945	-
Depreciation and amortisation expense		
Depreciation of owned assets	98	134
Amortisation of right-of-use assets	789	832
Total depreciation and amortisation expense	887	966
Finance income		
Interest from financial assets held for cash management purposes	73	152
Finance costs		
Bank loans and overdrafts	3,377	4,065
Interest on lease liabilities	131	176
Total finance costs	3,508	4,241
Less: Amount capitalised to inventories	(3,371)	(4,059)
Finance costs expensed	137	182
Other income		
Rent from investment property	34	35
Sundry income	79	136
Total other income	113	171

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

5. INCOME TAX

	31 December 2021 \$'000	31 December 2020 \$'000
(a) Income tax expense		
The major components of income tax are:		
Current income tax		
- Current income tax charge	2,992	3,149
- Adjustment for prior year	(226)	35
Deferred income tax		
- Current temporary differences	(508)	766
- Adjustment for prior year	183	-
Income tax reported in the Consolidated Statement of Comprehensive Income	2,441	3,950
(b) Numerical reconciliation between aggregate tax recognised in the Consolidated Statement tax to income tax expense and effective tax rate:		
Accounting profit before income tax	10,585	9,484
Tax at Australian income tax rate of 30%	3,176	2,845
Net share of equity accounted joint venture (profit)/loss	(528)	590
Share-based payment (reversal)/expense	(183)	108
Deferred tax asset not recoverable	-	356
Other non-deductible items	86	7
Foreign jurisdiction losses	5	3
Effect of lower tax rate in foreign jurisdiction	(72)	6
Adjustment for prior year	(43)	35
Income tax expense	2,441	3,950
Effective tax rate	23%	42%

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

6. DIVIDENDS

	31 December 2021 \$'000	31 December 2020 \$'000
<i>Cash dividends declared and paid</i>		
2021 final dividend of 1.8 cents per share, paid 23 September 2021. Fully franked @ 30% tax	7,312	-
Total cash dividends declared and paid	7,312	-
<i>Dividends proposed</i>		
2022 interim dividend of 1.1 cents per share, to be paid 25 March 2022. Fully franked @ 30% tax	4,469	-
2021 interim dividend of 0.7 cents per share, paid 26 March 2021. Fully franked @ 30% tax	-	2,844
Total dividends proposed	4,469	2,844

The Company's Dividend Reinvestment Plan remains suspended.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

7. CONTRIBUTED EQUITY

	31 December 2021 Number	30 June 2021 Number	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares	406,230,728	406,230,728	177,961	177,961
Treasury shares	-	(735,799)	(4,221)	(4,221)
Share capital	406,230,728	405,494,929	173,740	173,740
(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	(735,799)	-	(4,221)	(3,782)
On market acquisition of shares	-	(735,799)	-	(439)
Employee share scheme issue	735,799	-	-	-
At the end of the period	-	(735,799)	(4,221)	(4,221)

Treasury shares are held by AVJ Deferred Employee Share Plan Trust (AVJDESP) and deducted from contributed equity.

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

8. OPERATING SEGMENTS

The Group operates primarily in residential development.

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

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

Reportable segments

Jurisdictions:

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

Other:

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

8. OPERATING SEGMENTS (continued)

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

Operating Segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 December		31 December		31 December		31 December		31 December		31 December		31 December	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues														
External sales	34,995	38,862	31,937	26,563	26,013	34,051	6,429	10,457	11,488	1,515	4,333	1,297	115,195	112,745
Management fees	-	317	1,681	1,507	-	-	-	-	-	-	-	-	1,681	1,824
Total segment revenues	34,995	39,179	33,618	28,070	26,013	34,051	6,429	10,457	11,488	1,515	4,333	1,297	116,876	114,569
Results														
Segment results	10,358	7,598	4,043	3,254	2,184	5,578	205	(66)	4,195	10	1,010	519	21,995	16,893
Share of profit/(loss) of joint venture	-	-	-	-	-	-	-	-	-	-	1,759	(1,966)	1,759	(1,966)
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	152	288	152	288
Rent from investment property	-	-	34	35	-	-	-	-	-	-	-	-	34	35
Fair value adjustments (Provision)/reversal - equity accounted investment	-	-	(20)	-	-	-	-	-	-	-	-	-	(20)	-
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(1,489)	1,418	(1,489)	1,418
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(137)	(182)
Profit before income tax													10,585	9,484
Income tax													(2,441)	(3,950)
Net profit													8,144	5,534

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

8. OPERATING SEGMENTS (continued)

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

<i>Operating Segments</i>	NSW		VIC		QLD		SA		NZ		Other		Total	
	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
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets														
Segment assets	167,622	168,504	232,184	159,623	108,251	108,241	40,975	42,705	94,058	119,326	17,632	26,869	660,722	625,268
Total assets	167,622	168,504	232,184	159,623	108,251	108,241	40,975	42,705	94,058	119,326	17,632	26,869	660,722	625,268
Liabilities														
Segment liabilities	24,700	27,589	76,541	12,711	2,197	3,304	1,274	1,538	30,612	50,339	115,212	120,678	250,536	216,159
Total liabilities	24,700	27,589	76,541	12,711	2,197	3,304	1,274	1,538	30,612	50,339	115,212	120,678	250,536	216,159

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

9. NET TANGIBLE ASSET BACKING

	31 December 2021	30 June 2021
Net Tangible Asset (NTA) backing - cents per ordinary share	100.3	100.2

The number of ordinary shares used in the computation of NTA as at 31 December 2021 was 406,230,728 (30 June 2021: 405,494,929). 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 2021 \$'000	31 December 2020 \$'000
Revenues	7,827	11,898
Cost of sales	(5,714)	(7,810)
Other expenses	(261)	(605)
Profit before income tax	1,852	3,483
Income tax	(556)	(1,045)
Profit after income tax	1,296	2,438

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Equity accounted joint ventures	Interest held		Share of profit/(loss)	
	31 December 2021	31 December 2020	31 December 2021 \$'000	31 December 2020 \$'000
Pindan Capital Group Dwelling Trust	33.3%	33.3%	1,759	(1,966)
Profit/(loss) after income tax			1,759	(1,966)

A number of Pindan entities operated as trustees of the trusts that hold the above investments. In September 2021, Pindan Capital Pty Limited (in liquidation) agreed to sell shares in the trustee entities to Dorado Syndicate 59 Pty Limited in trust for the unitholders. As a result of that transaction, the Pindan Group holds no legal or beneficial interest in the trusts or the underlying projects. The legal ownership is in Dorado Syndicate 59 Pty Limited on trust for the unitholders and the beneficial interest is held by the unitholders, which include AVJennings. A provision for \$1,489,000 has been recognised against this investment at 31 December 2021.

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 is based on an external valuation performed by Knight Frank on 24 November 2021.

The Capitalisation Approach using a capitalisation rate of 5.75% and Direct Comparison Approach methods have been adopted in determining the fair value.

	31 December 2021 \$'000	30 June 2021 \$'000
Opening balance at 1 July	1,760	1,580
(Loss)/gain from fair value remeasurement	(20)	180
Closing balance at end of the period	1,740	1,760

13. BORROWINGS

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

The Group remains compliant with all lending covenants.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

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 2021, amounted to \$4,743,000 (30 June 2021: \$4,938,000). 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 2021, amounted to \$1,049,000 (30 June 2021: \$1,049,000). 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 2021, amounted to \$26,636,000 (30 June 2021: \$22,004,000). No material liability is expected to arise.

15. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

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

AVJennings®

Directors' Declaration

For the half-year ended 31 December 2021

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 2021 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.



Philip Kearns AM
Director

17 February 2022

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 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

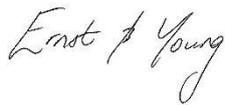
Directors' Responsibility for the Half-Year Financial Report

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 gives a true and fair view and 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



Ernst & Young



Glenn Maris
Partner
Sydney
17 February 2022