AVJennings Limited
ABN: 44 004 327 771

Annual Financial Report
30 June 2014

Contents

Directors' Report
For the year ended 30 June 2014

Your Directors present their Annual Financial Report ("Report") on the Consolidated Entity (referred to hereafter as "AVJennings", "Consolidated Entity" or "Group") consisting of AVJennings Limited ("Company" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

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

S Cheong	Chairman (Non-Executive)
RJ Rowley	Deputy Chairman (Non-Executive)
PK Summers	Managing Director and Chief Executive Officer
E Sam	Director (Non-Executive)
B Chin	Director (Non-Executive)
BG Hayman	Director (Non-Executive)
TP Lai	Director (Non-Executive)
D Tsang	Director (Non-Executive) – Appointed 2 June 2014

COMPANY SECRETARY

The name of the Company Secretary in office during the financial year and until the date of this Report is as follows:

CD Thompson

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the year was Residential Development.

OPERATING RESULTS

The consolidated profit after tax for the financial year was $18.8 million (2013: $15.3 million loss after tax).

DIVIDENDS

No dividends were paid to members during the financial year (2013: nil). However, subsequent to the end of the financial year, the Directors recommended a fully franked final dividend of 2.0 cents per share which was paid on 18 September 2014. The Dividend Reinvestment Plan remains suspended.

Directors' Report
For the year ended 30 June 2014

REVIEW OF OPERATIONS

Financial Results

The Company's revenue was up 58.1% to $250.6m and profit increased 216% to $27.0m before tax and $18.8m after tax compared to the previous corresponding period.

In line with the statement given with the release of the 1H14 accounts, Directors have declared a fully franked final dividend of 2.0 cents per share. Whilst obviously related most directly to the FY14 result, it also reflects Directors' confidence in the future prospects of the Company.

The most pleasing aspect of the results for the year is that they were the outcome of AVJennings' strong commitment to strategy over a number of years and reliance upon our experience and our systems, developed over many years, to analyse and forecast our markets and develop appropriate strategies.

Business overview

Being a developer with a mainly horizontal development profile has also enabled us to adapt strategies to match our market forecasts as we can scale up or down more easily than if we had a significant high rise apartment or vertical development profile.

In past years this has seen the Company reduce its level of activity as market conditions deteriorated to avoid a build-up of exposure to unsold inventory. However, in recent years it has resulted in increased volumes and turnover but, encouragingly, it has been achieved without any increased exposure to completed unsold stock.

We have also maintained a focus on our core strengths of building great but affordable places and communities for our customers to live in. Our brand has been built on 82 years of listening to our customers and ensuring we meet their needs. We continue to be recognised for quality, value, integrity and reliability.

We don't see our business as just developing land and building houses; we see the parks, playgrounds and wetlands we create, the schools and students our projects support, the sporting teams that compete on our playing fields, the public art we commission and other aspects we create to develop outstanding communities.

Our people are what make the difference and we will continue to ensure we attract, retain and develop the highest calibre people who have the same values for which we are known.

Outlook

Looking forward, we expect market fundamentals to remain supportive. Consumer confidence, whilst still somewhat volatile, is strong as it relates to residential property. Interest rates remain historically low and there is a significant housing shortage in many markets, most notably Auckland, Brisbane and Sydney. Adding to this the population continues to increase, placing further pressure on an industry which typically struggles to meet underlying demand due to constraints around the supply of suitably zoned and serviced land.

AVJennings is well placed for growth due to strong opening work in progress levels of 1,264 lots at June 2014 (up 77% on prior year and 298% in the last two years). This reflects both the opening of new projects, most of which only partially contributed to results in FY14, as well as greater production levels in existing projects.

REVIEW OF OPERATIONS (continued)

Growth will also be supported by a more active acquisition strategy. In recent months we have:

- Agreed to acquire the remaining 50% of the St.Clair Joint Venture in South Australia;
- Acquired over 400 lots in the Catalina Precinct at Hobsonville Point Auckland, continuing the Company's successful involvement in this project; and
- Recently acquired a relatively small equity stake in a development in Subiaco, Perth. This is the Company's first involvement in the Perth market for over 20 years.

We also continue to look for other acquisition opportunities. In some markets prices for sites have accelerated beyond what we believe are reasonable. However, overall we believe sufficient opportunities exist to acquire sites in line with our required returns, targets and strategies. Additionally, our low gearing levels of 17% (debt to total assets) will support such an acquisition strategy.

Whilst timing of production and usual seasonal issues will see results skewed towards the second half of FY15, we expect to achieve increased contract signings. Our forecast for FY15 is in the range of 1,500 to 1,700 lots.

Directors and management appreciate the support of stakeholders during the residential downturn that much of Australia experienced in recent years and also the participation and support shown for the rights issue concluded in early 2013. This equity raising enabled funding of increased work in progress levels which, in turn, led to the improved result for FY14. Given the current environment, we remain confident of continuing improvement in results.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The prospects and business strategies of the Consolidated Entity are discussed on pages 4 and 5 of this Report.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Consolidated Entity's practice is to ensure that where operations are subject to environmental regulations, those obligations are identified and appropriately addressed. This includes the obtaining of approvals, consents and requisite licences from the relevant authorities and complying with their conditions.

There have been no significant known breaches of environmental regulations to which the Consolidated Entity is subject.

Directors' Report
For the year ended 30 June 2014

INFORMATION ON THE DIRECTORS

Simon Cheong *B.Civ.Eng. MBA*

Director since 20 September 2001. Mr Cheong has over 30 years experience in real estate, banking and international finance. He currently serves as Chairman and Chief Executive Officer of SC Global Developments Pte Ltd. Mr Cheong has formerly held positions with Citibank (Singapore) as their Head of Real Estate Finance for Singapore as well as with Credit Suisse First Boston as a Director and Regional Real Estate Head for Asia (excluding Japan). In 1996, Mr Cheong established his own firm, SC Global Pte Ltd, a real estate and hotel advisory and direct investment group specialising in structuring large and complex transactions worldwide. He was elected President of the prestigious Real Estate Developers' Association of Singapore (REDAS) for 2 terms from 2007 until 2010. He served on the Board of the Institute of Real Estate Studies, National University of Singapore from 2008 to 2011 and was a board member of the Republic Polytechnic Board of Governors from 2008 to 2011. He was also a Council Member of the Singapore Business Federation, a position he held from 2007 to 2010. Resident of Singapore.

Responsibilities:
Chairman of the Board, Non-Executive Director, Chairman of Investments Committee, Member of Remuneration Committee, Member of Nominations Committee.

Directorships held in other listed entities:
None.

Jerome Rowley *SF Fin, FAICD*

Director since 22 March 2007. Mr Rowley has been a career banker since the early 1970s with Citigroup, Morgan Grenfell and ABN Amro. From 1992 until 2002, he served as Managing Director and CEO of ABN Amro Australia and Head of Relationship Management and Structured Finance for ABN Amro, Asia Pacific. He has been active in both wholesale and investment banking domestically and internationally. During his career, Mr Rowley devoted considerable effort towards the recognition, understanding and management of risk as a means of profit optimisation. Of particular significance was his involvement in advising and funding including debt, equity and hybrids, of infrastructure projects in both Australia and Asia Pacific. Resident of Sydney.

Responsibilities:
Deputy Chairman of the Board, Non-Executive Director, Chairman of Risk Management Committee, Member of Audit Committee, Member of Investments Committee, Member of Nominations Committee.

Directorships held in other listed entities:
None.

Peter K Summers *B.Ec. CA*

Director since 27 August 1998. Mr Summers is a Chartered Accountant and has been employed with the Company and its related corporations since 1984, when he joined the Jack Chia Australia Limited Group from Price Waterhouse (now PricewaterhouseCoopers). During Mr Summers' early period with the Group, he held various management and directorship roles within the Group. Following the acquisition of the AVJennings residential business in September 1995, Mr Summers was appointed Chief Financial Officer, becoming Finance Director of AVJennings in August 1998. He was appointed Managing Director and Chief Executive Officer of the Company on 19 February 2009. Mr Summers has extensive experience in general and financial management as well as mergers and acquisitions. Resident of Melbourne.

Responsibilities:
Managing Director and Chief Executive Officer.

Directorships held in other listed entities:
None.

Directors' Report
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INFORMATION ON THE DIRECTORS (continued)

Elizabeth Sam *B.A. Hons. (Economics)*

Director since 20 September 2001. Mrs Sam has over 40 years experience in international banking and finance. She has served on numerous high level Singaporean government financial and banking review committees and was the Chairman of the International Monetary Exchange from 1987-1990 and 1993-1996. Mrs Sam is a Director of SC Global Developments Pte Ltd, the Company's major shareholder. Resident of Singapore.

Responsibilities:
Non-Executive Director, Chairman of Nominations Committee, Chairman of Remuneration Committee, Member of Audit Committee.

Directorships held in other listed entities:
Banyan Tree Holdings Limited, since 23 March 2004.
The Straits Trading Company Limited, since 30 April 2008.

Bobby Chin *CA (ICAEW) B.Acc.*

Director since 18 October 2005. Mr Chin is the Chairman of NTUC Fairprice Co-operative Limited and NTUC Fairprice Foundation Limited. He is the Deputy Chairman of NTUC Enterprise Co-operative Limited and a Director of Singapore Labour Foundation. He is also a member of the Singapore Council of Presidential Advisers. Mr Chin served 31 years with KPMG Singapore and was its Managing Partner from 1992 until September 2005. He is a Fellow of the Institute of Singapore Chartered Accountants, and an Associate Member of the Institute of Chartered Accountants in England and Wales. Resident of Singapore.

Responsibilities:
Non-Executive Director, Chairman of Audit Committee.

Directorships held in other listed entities:
Yeo Hiap Seng Limited, since 15 May 2006.
Ho Bee Investment Limited, since 29 November 2006.
Sembcorp Industries Limited, since 1 December 2008.
Singapore Telecommunications Limited, since 1 May 2012.

Other Directorships:
Temasek Holdings (Private) Limited, since 10 June 2014

Directors' Report
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INFORMATION ON THE DIRECTORS (continued)

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has over 45 years commercial management experience with 20 of those at operational Chief Executive or General Manager Level. He is currently Chairman of Chartwell Management Services where he brings his very wide business experience to clients by way of the leadership, marketing, business performance and coaching programs he offers. He has fulfilled senior management roles both in Australia and overseas for companies such as Nicholas Pharmaceutical Group, Dairy Farm Group, Hong Kong Land and Seagram Corporation. During his time in Singapore, he held the position of Foundation President of the Singapore Australia Business Council. He has also served as CEO of the Australian Rugby Union and as Chairman of the Board of the Rugby Club Ltd. For his contribution to tourism in Australia, he has been recognised by Tourism Training Australia with a Platinum award. He is Chairman of the Ella Foundation and is the Deputy Chairman and a Director of the Australian Diabetes Council – NSW. Resident of Sydney.

Responsibilities:
Non-Executive Director, Member of Remuneration Committee, Member of Nominations Committee, Member of Investments Committee, Member of Risk Management Committee.

Directorships held in other listed entities:
None.

Teck Poh Lai *B.A. Hons. (Economics)*

Director since 18 November 2011. Mr Lai has been a career banker since the late 1960s. He joined Citibank Singapore in April 1968, rising through the ranks to become Vice President and Head of the Corporate Banking Division. During his time with Citibank, Mr Lai undertook international assignments with Citibank in Jakarta, New York and London. His last position with Citigroup was as Managing Director of Citicorp Investment Banking Singapore Ltd (Corporate Finance and Capital Market Activities) from 1986 to 1987. Mr Lai joined Oversea-Chinese Banking Corporation (OCBC) in January 1988 as Executive Vice President and Division Head of Corporate Banking. He moved on to various other senior management positions in OCBC, such as Head of Information Technology and Central Operations and Risk Management. He was head of Group Audit prior to retiring in April 2010. Resident of Singapore.

Responsibilities:
Non-Executive Director, Member of Audit Committee, Member of Remuneration Committee.

Directorships held in other listed entities:
PT Bank OCBC NISP Tbk (Commissioner) since 4 September 2008.
Oversea-Chinese Banking Corporation since 1 June 2010.

INFORMATION ON THE DIRECTORS (continued)

David Tsang *B.A. (Economics)*

Director since 2 June 2014. Mr Tsang has over 20 years experience in real estate, corporate finance and investments, completing transactions in Asia, North America and Europe. He currently holds the position of Managing Director for SC Global Developments Pte Ltd and has held various director and finance positions within the SC Global Group.

Mr Tsang began his career in Investment Banking with Nesbitt Burns in New York. He relocated from the United States to Singapore in 1996 and joined Simon Cheong as a founding member in establishing SC Global Pte Ltd, a boutique real estate advisory and principal investment firm. In 1999, Mr Tsang co-led two successful M&A transactions for the SC Global Group, acquiring controlling interests in publicly listed companies MPH Ltd and ANA Hotels (Singapore) Ltd. Mr Tsang took an executive position as Director of Special Projects at MPH Ltd from 2000 – 2004, helping to restructure and unlock value for shareholders. Mr Tsang also helped lead the transformation of ANA Hotels (Singapore) Ltd into the business of high end residential development and which continues to operate today as SC Global Developments. Mr Tsang served previously as a Director on the Board of AVJennings Ltd from 2004 to 2006. Resident of Singapore.

Responsibilities:
Non-Executive Director, Member of Investments Committee.

Directorships held in other listed entities:
None.

INFORMATION ON COMPANY SECRETARY

Carl D Thompson *LLB B. Comm.*

Company Secretary since 12 January 2009. Mr Thompson previously held the company secretary and general counsel role at Downer EDI Limited. Prior to that he was a partner at national law firm Corrs Chambers Westgarth, practising in corporate and commercial work. Resident of Melbourne.

REMUNERATION REPORT (Audited)

This Remuneration Report outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements of Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Entity and some of the Executive Committee members.

The Remuneration Report is presented under the following sections:

1. Individual Key Management Personnel disclosures

Details of KMP are set out below:

(i) Directors

S Cheong	Chairman (Non-Executive)
RJ Rowley	Deputy Chairman (Non-Executive)
PK Summers	Managing Director and Chief Executive Officer
E Sam	Director (Non-Executive)
B Chin	Director (Non-Executive)
BG Hayman	Director (Non-Executive)
TP Lai	Director (Non-Executive)
D Tsang	Director (Non-Executive) - Appointed 2 June 2014

(ii) Executives

KMP Executive Committee Members

M Henesey-Smith	Executive General Manager (Qld, SA & NZ) - Ceased employment 11 July 2014
A Soutar	Executive General Manager (NSW & Vic)
L Mahaffy	Chief Financial Officer
SC Orlandi	Chief Strategy Officer
CD Thompson	Company Secretary/General Counsel
L Hunt	General Manager, Human Resources

REMUNERATION REPORT (Audited) (continued)

2. Principles Used to Determine the Nature and Amount of Remuneration

2.1 The Remuneration Committee

The Remuneration Committee comprises four Non-Executive Directors.

The Remuneration Committee has delegated decision making authority for some matters related to the remuneration arrangements for Executive Directors and Executives, and is required to make recommendations to the Board on other matters such as equity-based performance plans.

The Committee approves the remuneration arrangements of the Chief Executive Officer and other Executives which includes awards made under the Long-Term Incentive (LTI) plan. The Board sets the fees for Non-Executive Directors.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

The Chief Executive Officer attends Remuneration Committee Meetings by invitation, where management input is required. The Chief Executive Officer is not present during any discussions related to his own remuneration arrangements.

2.2 Use of Remuneration Consultants

In January 2013, the Remuneration Committee engaged Godfrey Remuneration Group (GRG) to review and report on market benchmarking of remuneration for Non-Executive Directors, Executive Directors and Executives. Under the terms of the engagement, GRG provided remuneration recommendations as defined in Section 9B of the *Corporations Act 2001.*

GRG confirmed that the recommendations were made free from undue influence by members of AVJennings KMP.

The following arrangements were made to achieve this:

- GRG was engaged by, and reported directly to, a member of the Remuneration Committee. The agreement for the provision of the remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board;

- The report containing the remuneration recommendations was provided by GRG directly to a member of the Remuneration Committee; and

- GRG was permitted to speak to management throughout the engagement to understand Company processes, practises, and other business issues and obtain management perspectives. However, GRG was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any member of the Management team.

2.3 Non-Executive Director Remuneration Arrangements

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to Shareholders.

REMUNERATION REPORT (Audited) (continued)

2.3. Non-Executive Director Remuneration Arrangements (continued)

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors.

The amount of aggregate remuneration sought to be approved by Shareholders and the fee structure is reviewed periodically against fees paid to Non-Executive Directors of comparable companies. There has been no change to the basis of Non-Executive Director remuneration since the prior reporting period.

Three Non-Executive Directors, Mr S Cheong, Mrs E Sam and Mr D Tsang, do not receive fees, however AVJennings pays a consulting fee to the Ultimate Parent Entity, SC Global Developments Pte Ltd. The fees relate to and are paid pursuant to a consultancy and advisory agreement entered into in June 2002 (and amended in 2012) for the provision of services including the following:

- Services of at least two directors on the Board;
- Assistance in sourcing and facilitating financial and banking requirements particularly from Asian-based and other institutions;
- Assistance in secretarial and administrative matters in connection with the Company's Singapore listing;
- Sourcing and facilitating business, commercial and investment opportunities; and
- Ancillary advice.

The reasonableness and appropriateness of the agreement and the level of fees is assessed annually by the Australian-based independent Non-Executive Directors taking into account the actual services provided, comparable market data for similar services, the benefits to the Company and the likely cost of replacement of the services provided. The annual fees payable are $600,000. The agreement may be terminated by either party providing six months' notice or by the Company on 30 days' notice for cause.

Non-Executive Directors do not participate in any incentive programs. Fees for Non-Executive Directors are fixed and are not linked to the financial performance of the Company. The Board believes this is necessary for Non-Executive Directors to maintain their independence.

Shareholders approved an annual aggregate cap of $400,000 for non-executive fees at the 2000 AGM. This cap has not been altered since. The allocation of fees to Non-Executive Directors within that cap has been determined after consideration of a number of factors including the time commitments of directors, the size and scale of the Company's operations, the skill sets of the directors and fees paid to directors of comparable companies as well as participation in committee work. Non-Executive Directors are not entitled to retirement benefits other than (as appropriate for Australian residents) payment of statutory superannuation entitlements in addition to directors' fees.

The remuneration of Non-Executive Directors for the years ended 30 June 2014 and 30 June 2013 is detailed on page 21 of this Report.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements

AVJennings' executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of Executives and Shareholders.

The executive remuneration framework consists of fixed remuneration and short (assessed annually) and long-term (assessed over a three year period) incentives as outlined below.

AVJennings aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities, and aligned with market practice.

i) Fixed Remuneration

Fixed Remuneration is represented by Total Employment Cost (TEC) which comprises base remuneration and superannuation contributions. Base remuneration includes cash salary and any salary sacrifice items. Superannuation contributions are capped at the relevant concessional contribution limit. Fixed remuneration excludes any incentive entitlements.

Executive contracts of employment do not include any guaranteed increases. TEC is reviewed annually or on promotion/appointment to the role. TEC is benchmarked against market data for comparable roles in comparable entities in the market. The Company sets TEC based on relevant market analysis, and having regard to the scope and nature of the role and the individual executive's performance, expertise, skills and experience.

The fixed component of executive remuneration is detailed in the tables on pages 21 and 22.

ii) Short Term Incentive (STI)

Executives participate in a formal STI plan which assesses performance against pre-determined Key Performance Indicators (KPIs) over the financial year. The STI is underpinned by the Company's performance management system. Within this system, each executive has KPIs that are aligned to company, business unit and individual performance. An STI payment is awarded only when an agreed level of performance is achieved by individual executives against KPIs set at the start of each financial year.

STI awards for the executive team in the 2014 financial year were based on the scorecard measures and weightings as disclosed below. These targets were set by the Remuneration Committee and align with the Group's strategic and business objectives. They are reviewed annually.

The CEO has a target STI opportunity of 25% of TEC and other Executives have a STI opportunity of between 10% to 30% of TEC.

The variable "at risk" component of executive remuneration ensures that a proportion of remuneration varies with performance (both of the individual and, as appropriate, the business unit and the Company as a whole).

Position	Max STI as % TEC	Max LTI as % TEC	Total as % TEC
CEO	25	75	100
Senior Executives	10	20	30
State GMs	30	10	40

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The proportions of STI and LTI take into account:

- Market practice;
- The objectives that the Board seeks to achieve and the behaviours which support that outcome;
- The desire for senior executives to have a shareholding as a proportion of remuneration in the event that equity rewards have vested; and
- The service period before executives can receive equity rewards.

The table below provides an overview of the STI against key financial and non-financial performance measures.

		CEO	Senior Executives	State GMs
Financial and Business Performance				
Underlying Profit Performance	Group profit before tax. Return on NFE.	70%	30% to 40%	50%
Business Performance	Cost to income ratio. Appropriate and efficient capital management. Alignment of priorities and allocation of resources. Market conditions, in particular performance in the prevailing market. Implementation of Company strategy and improvement in underlying health of the Company. Increase in the Group's market share of residential property sector. Risk management.			
Non-Financial				
Customer and Stakeholder Performance	Customer Advocacy.	30%	60% to 70%	50%
People	Employee retention and engagement. Leadership.			
Safety and Environment	Providing a safe work environment. Minimise the impact of our activities on the environment.			

The Remuneration Committee is responsible for determining the STI to be paid based on an assessment of whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management. This usually occurs within two months of the reporting date. Amounts payable are delivered as a cash bonus in the following reporting period. The Committee has the discretion to adjust STIs upwards or downwards in light of unexpected or unintended circumstances. The maximum STI that can be earned is capped to minimise excessive risk taking.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

Based on achievements of the Group this year and performance against individual KPIs, the Remuneration Committee determined that Executives had achieved between 25% and 100% of their target opportunity (average 60%). In making this assessment, the Committee considered the following factors:

- Market conditions and performance in the prevailing market.
- A turnaround resulting in a strong profit before tax.
- An increase in contract signings compared to the previous year.
- Performance in implementing Company strategy.
- Improvement in underlying health of the Company.

iii) Long Term Incentive (LTI)

LTI awards are made to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives who are in a position to have an impact on the Group's performance against the relevant long-term performance measures.

Share-based compensation:

The AVJ Deferred Employee Share Plan (the LTI Plan) administers employee share schemes under which shares may be purchased on-market by the LTI Plan Trustee on behalf of employees. These shares vest to employees for no cash consideration subject to certain conditions being satisfied. Employees may elect not to participate in the scheme. Shares held by the LTI Plan's trust and not yet allocated to employees at the end of the reporting period are shown as treasury shares in the Financial Statements.

Share-based compensation benefits are provided to executives via the Plan. These equity-settled transactions are measured at fair value at the grant date. The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value of the shares at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share-based payment reserve in equity. There is no non-recourse financing provided to executives in relation to any share-based payments.

Vesting is subject to both service and performance conditions. The service condition requires the executive to be employed by the Company as at 30 September in the third year after the grant date for each grant. The performance conditions apply to each grant – as to 50% as measured by the TSR hurdle and as to 50% by the EPS hurdle. The two performance hurdles are tested differently. The EPS hurdle is tested as at 30 June in the test year (three years after grant). The TSR hurdle is tested at 30 September of the third year after grant.

The following allocations have been made under the LTI Plan:

FY2011 Grant

On 28 September 2010, 1,375,452 shares were granted to certain executives. As detailed in the table on page 18, these included 1,136,816 shares for KMP. The remaining shares were granted to executives who were not KMP. All unvested shares from this grant have been forfeited as the performance conditions were not achieved.

FY2012 Grant

On 5 September 2011, 1,695,735 shares were granted to certain executives. As detailed in the table on page 18, these included 1,454,555 shares for KMP. The remaining shares were granted to executives who were not KMP. A total of 124,383 shares from this grant have been forfeited as a result of executives' departure.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

FY2013 Grant

An additional 513,168 shares were granted on 12 September 2012 to certain executives. As detailed in the table on page 18, these included 280,712 shares for KMP. The remaining shares were granted to executives who were not KMP.

FY2013 Delayed Grant

On 25 September 2013, 527,027 shares were granted to certain executives. As detailed in the table on page 18, these include 468,868 shares for KMP. The remaining shares were granted to executives who were not KMP.

This Delayed Grant was supposed to have been made about July 2012 in accordance with the usual operation of the LTI plan. In July 2012, the Remuneration Committee determined that trading conditions at the time warranted a deferral of the grant until a later time. The FY2013 grant was ultimately reconsidered in September 2013. The Remuneration Committee then considered that trading conditions and fairness to both executives and the Company warranted an allocation. However, as the Company's share price had increased considerably since the original proposed allocation date (July 2012) it was impossible to determine an appropriate allocation amount under the current plan which did not prejudice either the Company or the executives. If the original number of shares to be allocated as proposed in July 2012 were granted, the cost to the Company would have been considerably more than originally contemplated. If the same allocation amount had been used as originally contemplated, executives would have received considerably fewer shares. As a reasonable compromise and recognising that staff retention was a critical factor for consideration, the Committee determined to grant a significantly reduced amount to each executive (approximately 35.5% of the proposed original allocation), and to make the grant subject only to service conditions as to 50% for one year to 30 September 2014 and as to 50% for two years to 30 September 2015.

FY2014 Grant

On 25 September 2013, 1,610,096 shares with a fair value of $849,326 were granted to certain executives. As detailed in the table on page 18, these include 1,356,279 shares for KMP. The remaining shares were granted to executives who were not KMP.

Except for the 2013 Delayed Grant which is only subject to a service condition (explained above), all shares are subject to both service and performance conditions and will vest to the extent that each of these conditions is satisfied.

The service vesting condition is that the employee must still be employed by AVJennings at 30 September 2013 (for the FY2011 grant), 30 September 2014 (for the FY2012 grant), 30 September 2015 (for the FY2013 grant) and 30 September 2016 (for the FY2014 grant). In the event of death or permanent disablement, the shares may vest to the estate at the Board's discretion. In the event that the employee is retrenched, the shares may vest subject to Board discretion. If the employee resigns (in certain circumstances) or is terminated, the unvested shares will be forfeited.

The performance vesting conditions are:

- Total Shareholder Return (TSR) performance measured against the ASX Small Industrials Index; and
- Earnings Per Share (EPS) growth. AVJennings' EPS growth for the performance period must meet or exceed the target set. The EPS hurdle for total vesting for each grant is as follows:

  FY2011 grant - 10% p.a. growth for the three financial years to 30 June 2013
  FY2012 grant - 10% p.a. growth for the three financial years to 30 June 2014
  FY2013 grant - 10% p.a. growth for the three financial years to 30 June 2015
  FY2014 grant - 10% p.a. growth for the three financial years to 30 June 2016

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

Half of the allocation is assessed against each performance condition. The vesting schedule for the TSR performance condition is set out in the table below. The holder of the shares is entitled to receive all dividends paid between grant and vesting date.

The TSR hurdle was chosen as a performance measure as it provides a comparison against external performance. The comparator group against which performance is measured is the ASX Small Industrials Index. This peer group was chosen as the pool of listed pure residential developers was considered too small to provide a reliable and meaningful comparator group.

AVJennings' TSR rank against companies in the Index at 30 September	Percentage vesting
< median	Nil
At the median	50%
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
>=75th percentile	100%

The operation of the EPS hurdle is set out below.

AVJennings' EPS growth rate over the performance period	Percentage vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% – 10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

The fair value of the EPS element of the shares is the market value at grant date. The Monte Carlo Model is used to fair value the TSR element. The Model simulates AVJennings' TSR and compares it against the ASX Small Industrials Index. The Model takes into account historic dividends, share price volatilities and the risk-free yield on an Australian Government Bond at the grant date matching the remaining effective life of 3 years.

The EPS hurdle was chosen as it provides a measure over which executives have more direct control.

Directors' Report
For the year ended 30 June 2014

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

	Shares Granted			Movement of Shares Granted		
Name	**Grant**	**Number**	**Fair Value**	**Unvested at 1 July 2013**	**Forfeited during the year**	**Unvested at 30 June 2014**
KMP Executive Members						
PK Summers	**FY2011**	691,591	$ 312,945	691,591	(691,591)	-
PK Summers	**FY2012**	884,891	$ 311,924	884,891	-	884,891
PK Summers	**FY2013-D**	285,241	$ 166,866	-	-	285,241
PK Summers	**FY2014**	666,349	$ 351,499	-	-	666,349
M Henesey-Smith	**FY2011**	158,344	$ 71,651	158,344	(158,344)	-
M Henesey-Smith	**FY2012**	202,601	$ 71,417	202,601	-	202,601
M Henesey-Smith	**FY2013-D**	65,307	$ 38,205	-	-	65,307
M Henesey-Smith	**FY2014**	147,682	$ 77,902	-	-	147,682
A Soutar	**FY2013**	280,712	$ 74,389	280,712	-	280,712
A Soutar	**FY2014**	147,682	$ 77,902	-	-	147,682
L Mahaffy	**FY2014**	107,957	$ 56,947	-	-	107,957
SC Orlandi	**FY2011**	102,458	$ 46,362	102,458	(102,458)	-
SC Orlandi	**FY2012**	131,094	$ 46,211	131,094	-	131,094
SC Orlandi	**FY2013-D**	42,257	$ 24,720	-	-	42,257
SC Orlandi	**FY2014**	95,558	$ 50,407	-	-	95,558
CD Thompson	**FY2011**	106,183	$ 48,048	106,183	(106,183)	-
CD Thompson	**FY2012**	135,861	$ 47,891	135,861	-	135,861
CD Thompson	**FY2013-D**	43,794	$ 25,619	-	-	43,794
CD Thompson	**FY2014**	118,078	$ 62,286	-	-	118,078
L Hunt	**FY2011**	78,240	$ 35,404	78,240	(78,240)	-
L Hunt	**FY2012**	100,108	$ 35,288	100,108	-	100,108
L Hunt	**FY2013-D**	32,269	$ 18,877	-	-	32,269
L Hunt	**FY2014**	72,973	$ 38,493	-	-	72,973
Total		**4,697,230**	**$ 2,091,253**	**2,872,083**	**(1,136,816)**	**3,560,414**

Note: In the table above, "FY2013-D" refers to the FY2013 Delayed Grant.

AVJennings prohibits executives from entering into arrangements to protect the value of unvested LTI awards. This prohibition includes entering into hedging arrangements in relation to AVJennings shares.

REMUNERATION REPORT (Audited) (continued)

3. Group Performance

The table below shows the Consolidated Entity's earnings performance as well as the movement in the Consolidated Entity's Earnings per Share (EPS) and Total Shareholder Return (TSR) over the current and previous 4 years.

Financial Report Date	Financial Period	Profit / (Loss) After Tax $'000	Basic EPS Cents	TSR Cents
30 June 2010	12 months	9,616	3.51	19.0
30 June 2011	12 months	12,893	4.72	4.5
30 June 2012	12 months	(29,828)	(10.99)	(15.0)
30 June 2013	12 months	(15,266)	(5.46)	14.0
30 June 2014	12 months	18,782	4.94	13.0

4. Employment Contracts

i) Chief Executive Officer

Mr Summers' contract of employment does not have a termination date and does not stipulate a termination payment. However, it specifies a six month notice period. Details regarding the remuneration paid to Mr Summers are contained in the table on page 21.

During the year no options were either granted to, or exercised by, Mr Summers. There are currently no unexercised or outstanding options.

ii) Other Executives

The remaining AVJennings executives are full time permanent employees with executive employment contracts. The employment contracts do not have termination dates or termination payments. However, they specify a notice period of three months. There are no other terms or conditions that differ significantly from the standard employment contracts applicable to other AVJennings employees. During the year, no options were granted to, or exercised by, the executives. There are currently no unexercised or outstanding options.

5. Remuneration of Key Management Personnel of the Company and the Consolidated Entity

Details of the nature and amount of each element of remuneration of Directors and executives are set out in the tables on pages 21 and 22. The Directors are the same as those identified in the *Directors' Report*.

6. Remuneration Options: Granted and Vested During the Year

No options were either granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Directors or executives hold any options.

7. Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out on page 20.

Directors' Report
For the year ended 30 June 2014

REMUNERATION REPORT (Audited) (continued)

	Opening Balance	Vested as Remuneration	Net Other Change(1)	Closing Balance
For the year ended 30 June 2014				
Directors				
S Cheong	192,318,030	-	-	**192,318,030**
E Sam	209,349	-	-	**209,349**
PK Summers	2,416,266	-	-	**2,416,266**
RJ Rowley	252,000	-	-	**252,000**
D Tsang(2)	837,396	-	-	**837,396**
Executives				
A Soutar	212,131	-	-	**212,131**
L Mahaffy	19,967	-	-	**19,967**
SC Orlandi	143,337	-	-	**143,337**
CD Thompson	823,152	-	-	**823,152**
L Hunt	41,916	-	-	**41,916**
Total	**197,273,544**	**-**	**-**	**197,273,544**
For the year ended 30 June 2013				
Directors				
S Cheong	137,370,023	-	54,948,007	**192,318,030**
E Sam	149,535	-	59,814	**209,349**
PK Summers	1,275,481	-	1,140,785	**2,416,266**
RJ Rowley	180,000	-	72,000	**252,000**
Executives				
A Soutar	-	-	212,131	**212,131**
L Mahaffy	-	-	19,967	**19,967**
SC Orlandi	-	-	143,337	**143,337**
CD Thompson(3)	319,500	-	503,652	**823,152**
L Hunt	2,222	-	39,694	**41,916**
Total	**139,296,761**	**-**	**57,139,387**	**196,436,148**

(1) For the year ended 30 June 2013, includes shares acquired through the Rights Issue.
(2) Appointed 2 June 2014.
(3) Includes 244,000 shares acquired on market.

No other Key Management Personnel held shares in AVJennings Limited at any time during the year.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

REMUNERATION REPORT (Audited) (continued)

Directors	**Short-Term**			**Post Employment**	**Long-Term**	**Share-based**	**Total**	**Performance Related**
	Salary / Fees	**Cash Bonus**	**Other**	**Superannuation** [3]	**Long Service Leave**	**Shares**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
30 June 2014								
S Cheong[1]	-	-	-	-	-	-	**-**	**-**
RJ Rowley	77,803	-	-	7,197	-	-	**85,000**	**-**
PK Summers[2][4]	457,119	104,519	66,434	25,538	21,878	134,732	**810,220**	**17.92**
E Sam[1]	-	-	-	-	-	-	**-**	**-**
B Chin	60,000	-	-	-	-	-	**60,000**	**-**
BG Hayman	45,767	-	-	4,233	-	-	**50,000**	**-**
TP Lai	50,000	-	-	-	-	-	**50,000**	**-**
D Tsang [1][5]	-	-	-	-	-	-	**-**	**-**
	690,689	**104,519**	**66,434**	**36,968**	**21,878**	**134,732**	**1,055,220**	
30 June 2013								
S Cheong[1]	-	-	-	-	-	-	**-**	**-**
RJ Rowley	77,982	-	-	7,018	-	-	**85,000**	**-**
PK Summers[2]	408,415	95,597	61,617	25,000	13,716	205,480	**809,825**	**37.18**
E Sam[1]	-	-	-	-	-	-	**-**	**-**
B Chin	60,000	-	-	-	-	-	**60,000**	**-**
BG Hayman	45,872	-	-	4,128	-	-	**50,000**	**-**
TP Lai	50,000	-	-	-	-	-	**50,000**	**-**
	642,269	**95,597**	**61,617**	**36,146**	**13,716**	**205,480**	**1,054,825**	

(1) These Directors were not paid fees. A consulting fee of $50,000 per month was paid to the ultimate parent entity SC Global Developments Pte Ltd which covers the services of these Directors. International airfares to attend meetings are paid for by a related entity.
(2) 'Other' relates to the value of motor vehicle benefits.
(3) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.
(4) 'Shares' include a reversal of $181,543 relating to shares from the FY2011 Grant that did not vest.
(5) Appointed 2 June 2014.

(a) Directors are also reimbursed for airfares (other than the international airfares for those Directors referred to in (1) above), and other expenses relating to the provision of their services.
(b) With the exception of share-based compensation for the Chief Executive referred to in 2.4(iii), there were no other share-based payments made to Directors in the year under review.

Directors' Report
For the year ended 30 June 2014

REMUNERATION REPORT (Audited) (continued)

Executives	**Short-Term**			**Post Employment**	**Long-Term**	**Share-Based**	**Total**	**Performance Related**
	Salary / Fees	**Cash Bonus**	**Other** (1)	**Superannuation** (2)	**Long Service Leave**	**Shares**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
30 June 2014								
M Henesey-Smith(5)	321,280	67,304	15,173	36,214	11,895	30,151	**482,017**	**15.75**
A Soutar	330,084	31,409	-	34,660	3,874	45,181	**445,208**	**17.20**
L Mahaffy	319,712	8,200	-	17,775	2,957	15,391	**364,035**	**6.48**
SC Orlandi(5)	284,820	21,775	-	17,775	11,633	19,509	**355,512**	**7.69**
CD Thompson(5)	342,600	35,875	-	17,775	11,203	22,934	**430,387**	**10.31**
L Hunt(5)	195,400	11,085	-	23,175	6,111	14,898	**250,669**	**6.12**
	1,793,896	**175,648**	**15,173**	**147,374**	**47,673**	**148,064**	**2,327,828**	
30 June 2013								
M Henesey-Smith	297,086	35,020	15,000	24,747	4,232	47,046	**423,131**	**19.39**
A Soutar(3)	329,864	43,775	-	25,000	1,798	20,105	**420,542**	**15.19**
L Mahaffy (4)	207,028	9,600	-	12,353	935	-	**229,916**	**4.18**
SC Orlandi	282,702	14,118	-	16,470	19,070	30,441	**362,801**	**12.28**
CD Thompson	295,625	16,145	-	16,470	13,686	31,548	**373,474**	**12.77**
L Hunt	193,704	10,815	-	24,117	6,174	23,246	**258,056**	**13.20**
	1,606,009	**129,473**	**15,000**	**119,157**	**45,895**	**152,386**	**2,067,920**	

(1) Represents the value of motor vehicle benefits.
(2) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.
(3) Appointed 12 July 2012.
(4) Appointed 1 November 2012.
(5) 'Shares' include reversals of $41,565 for M Henesey-Smith, $26,895 for SC Orlandi, $27,873 for CD Thompson and $20,538 for L Hunt relating to shares from the FY2011 Grant that did not vest.

Directors’ Report
For the year ended 30 June 2014

MEETINGS OF DIRECTORS AND DIRECTORS’ COMMITTEES

The number of meetings of Directors and Directors' committees held during the year, for the period the Director was a Member of the Board or a Committee, and the number of meetings attended by each Director are detailed below.

	Full Meetings of Directors		Meetings of Committees							
			Audit		Remuneration		Nominations		Risk Management	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Cheong	4	4	-	-	3	3	1	1	-	-
RJ Rowley	4	4	3	3	-	-	1	1	3	3
PK Summers	4	4	-	-	-	-	-	-	-	-
E Sam	4	4	3	3	3	3	1	1	-	-
B Chin	4	4	3	3	-	-	-	-	-	-
BG Hayman	4	4	-	-	3	3	1	1	3	3
TP Lai	4	4	3	3	3	2	-	-	-	-
D Tsang (1)	-	-	-	-	-	-	-	-	-	-

(1) Appointed 2 June 2014.

Investments Committee

The Investments Committee does not formally meet in person. It conducts physical inspections of certain major development sites and receives detailed briefings from management on all major development sites prior to consideration of formal acquisition proposals which are dealt with by way of circular resolution.

DIRECTORS' INTERESTS

The relevant interests of the Directors in the shares of the Company at the date of this Report are:

Director	Number
S Cheong	192,318,030
E Sam	209,349
PK Summers*	2,416,266
RJ Rowley	252,000
D Tsang	837,396

*Does not include unvested shares under the AVJ Deferred Employee Share Plan. Refer to page 18.

INDEMNIFYING OFFICERS

During the year, the Consolidated Entity paid a premium in respect of a contract insuring its Directors and employees against liabilities that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Consolidated Entity. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young’s negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' Report
For the year ended 30 June 2014

ROUNDING OF AMOUNTS

The amounts contained in this Report and in the Financial Statements have been rounded to the nearest $1,000 (where rounding is permitted) under the option available to the Company under the Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

Independence Declaration from our auditors, Ernst & Young is set out on page 25.

NON-AUDIT SERVICES

A number of non-audit services were provided by the Consolidated Entity's auditor, Ernst & Young. These non-audit services are detailed in note 8 to this Financial Report. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

Simon Cheong
Director

Peter Summers
Director

26 September 2014

Ernst & Young
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Auditor's Independence Declaration to the Directors of AVJennings Limited

In relation to our audit of the financial report of AVJennings Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
26 September 2014

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenues	5	250,570	158,462
Share of profits of associates and joint venture entities accounted for using the equity method		1,967	1,294
Cost of property developments sold		(195,656)	(125,061)
Provision for loss on inventories	5	5,154	(22,964)
Other operational expenses		(3,948)	(4,729)
Selling and marketing expenses		(6,005)	(6,209)
Employee benefits expenses	5	(17,189)	(16,712)
Depreciation expense	5	(330)	(381)
Finance costs	5	(457)	(492)
Fair value gain on interest rate derivatives		-	187
Management and administration expenses		(7,093)	(6,686)
Profit/(loss) before income tax		**27,013**	**(23,291)**
Income tax	9	(8,231)	8,025
Profit/(loss) after income tax		**18,782**	**(15,266)**
Other comprehensive income			
Foreign currency translation (recyclable through profit and loss)		2,065	1,380
Other comprehensive income for the year		**2,065**	**1,380**
Total comprehensive income/(loss) for the year		**20,847**	**(13,886)**

Earnings per share for profit/(loss) from continuing operations attributable to ordinary equity holders of the parent:		**Cents**	**Cents**
Basic earnings per share	11	4.94	(5.46)
Diluted earnings per share	11	4.94	(5.46)

Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	12	4,796	11,649
Trade and other receivables	13	44,557	23,033
Inventories	14	168,019	109,068
Other current assets	15	1,387	1,211
Total current assets		**218,759**	**144,961**
NON-CURRENT ASSETS			
Trade and other receivables	13	6,159	4,120
Inventories	14	212,804	281,745
Investments accounted for using the equity method	16	27,108	25,181
Available-for-sale financial asset	17	3,000	-
Property, plant and equipment	21	642	993
Deferred tax assets	22	-	3,087
Intangible assets	23	2,816	2,816
Total non-current assets		**252,529**	**317,942**
Total assets		**471,288**	**462,903**
CURRENT LIABILITIES			
Trade and other payables	24	46,823	65,365
Interest-bearing loans and borrowings	25	4,083	7,171
Tax payable	26	251	449
Provisions	28	4,706	4,036
Total current liabilities		**55,863**	**77,021**
NON-CURRENT LIABILITIES			
Trade and other payables	24	13,406	6,956
Interest-bearing loans and borrowings	25	81,500	82,720
Deferred tax liabilities	27	4,041	-
Provisions	28	698	845
Total non-current liabilities		**99,645**	**90,521**
Total liabilities		**155,508**	**167,542**
Net assets		**315,780**	**295,361**
EQUITY			
Contributed equity	29	160,436	160,960
Reserves	30(a)	4,361	2,200
Retained earnings	30(c)	150,983	132,201
Total equity		**315,780**	**295,361**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

		Attributable to equity holders of the Parent				Total equity
	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	$'000
At 1 July 2012		**121,096**	**(257)**	**687**	**147,467**	**268,993**
Loss for the year		-	-	-	(15,266)	(15,266)
Other comprehensive income for the year		-	1,380	-	-	1,380
Total comprehensive loss for the year		-	1,380	-	(15,266)	(13,886)
Transactions with owners in their capacity as owners						
- Ordinary share capital raised	29(a)	39,956	-	-	-	39,956
- Treasury shares acquired	29(b)	(92)	-	-	-	(92)
- Share-based payment expense	36(a)	-	-	390	-	390
		39,864	1,380	390	(15,266)	26,368
At 30 June 2013		**160,960**	**1,123**	**1,077**	**132,201**	**295,361**
Profit for the year		-	-	-	18,782	18,782
Other comprehensive income for the year		-	2,065	-	-	2,065
Total comprehensive income for the year		-	2,065	-	18,782	20,847
Transactions with owners in their capacity as owners						
- Treasury shares acquired	29(b)	(524)	-	-	-	(524)
- Share-based payment expense reversed (forfeited shares)	36(a)	-	-	(579)	-	(579)
- Share-based payment expense	36(a)	-	-	675	-	675
		(524)	2,065	96	18,782	20,419
At 30 June 2014		**160,436**	**3,188**	**1,173**	**150,983**	**315,780**

Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		251,561	182,136
Payments to suppliers, land vendors and employees		(242,446)	(171,824)
Interest paid		(9,349)	(9,822)
Income tax paid		(1,445)	(40)
Net cash (used in)/from operating activities	31	**(1,679)**	**450**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		70	33
Purchase of property, plant and equipment	21	(76)	(228)
Interest received		457	492
Distribution received		40	520
Payment for available-for-sale financial asset		(1,500)	-
Net cash (used in)/from investing activities		**(1,009)**	**817**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		101,591	77,932
Repayment of borrowings		(105,899)	(112,278)
Payment for treasury shares	29(b)	(524)	(92)
Proceeds from issue of shares	29(a)	-	39,956
Net cash (used in)/from financing activities		**(4,832)**	**5,518**
NET (DECREASE)/INCREASE IN CASH HELD		**(7,520)**	**6,785**
Cash and cash equivalents at beginning of year		11,649	4,560
Effects of exchange rate changes on cash and cash equivalents		667	304
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	**4,796**	**11,649**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

1. CORPORATE INFORMATION

The Consolidated Financial Statements of AVJennings Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 26 September 2014.

AVJennings Limited (the Parent) 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 (formerly known as the Central Limit Order Book System (CLOB)). The ultimate parent is SC Global Developments Pte Ltd, a company incorporated in Singapore which owns 50.03% of the ordinary shares in AVJennings Limited.

The Consolidated Entity ("AVJennings", "Consolidated Entity" or "Group") consists of AVJennings Limited (the "Company" or the "Parent Entity") and its controlled entities.

The nature of the operations and principal activities of the Consolidated Entity are described in the *Directors' Report*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value with variations reflected in the profit and loss account.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 4. AVJennings is a for-profit entity for the purpose of preparing the Consolidated Financial Statements.

The Financial Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

a) Compliance with IFRS

The Financial Report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

None of the new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

The Group has adopted all mandatory standards and amendments for the annual financial year beginning 1 July 2013. Adoption of these standards and amendments has not had any effect on the financial position or performance of the Group but has impacted the Report disclosures as follows:

AASB 10 - *Consolidated Financial Statements*

This standard has changed the criteria for determining control. Since 1 July 2013, an entity is controlled when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10. No differences were found and therefore no adjustments to any of the carrying amounts in the Report are required as a result of the adoption of AASB 10.

AASB 11 - *Joint Arrangements*

This standard uses the principle of control in AASB 10 to define joint control. Under this standard, investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each venturer. Joint ventures are arrangements that give the venturers rights to the net assets and are accounted for using the equity method. Joint operations are arrangements that give the venturers rights to the underlying assets and obligations and are accounted for by recognising the share of those assets and obligations. The Group also recognises the expenses that it incurs and its share of the net property income that it earns from each joint operation.

Whilst the classification criteria for joint ventures and joint operations changed, the Group's accounting for its investments in joint arrangements was not impacted by the adoption of AASB 11.

AASB 13 - *Fair Value Measurement*

This standard has centralised the definition and guidance for measuring fair values where required to be applied by various other accounting standards. The new standard requires quantitative and qualitative disclosures of all fair value measurements. The additional disclosures required by AASB 13 have been provided in this Report.

AASB 119 - *Employee Benefits*

The Group has adopted AASB 119: The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The Consolidated Entity has early adopted AASB 2013-3, effective 1 January 2014, which amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments in AASB 136 include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. AASB 2013-3 removes this requirement.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2014. These are outlined below:

Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 / applicable for Group 1 July 2014)

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identifies in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This amendment will have no impact on the disclosure for the Group.

AASB 9 Financial Instruments (effective 1 January 2018 / applicable for Group 1 July 2018)

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

AASB9 also removes the volatility in profit and loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E

The Group will review the classification of its existing financial assets and liabilities in line with the standard.

IFRS 15 Revenue from Contracts with Customers: (effective 1 January 2017 / applicable for Group 1 July 2017)

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Core principal of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitles in exchange for those goods or services.

The Group will review contracts it has with customers and assess the disclosure requirements, if any, of these contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The *Consolidated Financial Statements* incorporate the assets and liabilities of all subsidiaries of AVJennings Limited as at 30 June 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(d)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the *Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Financial Position* respectively.

The AVJ Deferred Employee Share Plan Trust was formed to administer the Group's employee share scheme. This Trust is consolidated, as the substance of the relationship is that the Trust is controlled by the Group. Shares held by the Trust are disclosed as treasury shares and deducted from contributed equity.

d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Consolidated Entity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Joint ventures

Joint operations

The proportionate interests in the assets, liabilities, revenues and expenses of joint operations have been incorporated in the Financial Statements under the appropriate headings. Details of the joint operations are set out in note 20.

Joint venture entities

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the entity are recognised in the profit and loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Dividends received from joint venture entities are recognised as a reduction in the carrying amount of the investment. Details relating to joint venture entities are set out in note 16(b).

Profits or losses on transactions with joint venture entities are eliminated to the extent of the Consolidated Entity's ownership interest until such time as they are realised by the joint venture entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

At each reporting date, the Group determines whether there is any objective evidence that the investment in the joint venture entity is impaired. Where evidence exists, the impairment is calculated as the difference between the recoverable amount of the joint venture entity and its carrying value, and recognised in the profit and loss.

f) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method.

Under the equity method, investments in associates are carried in the *Consolidated Statement of Financial Position* at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associates.

The Consolidated Entity's share of an associate's profits or losses is recognised in the *Consolidated Statement of Comprehensive Income*. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment. Details relating to associates are set out in note 16(a).

At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. Where evidence exists, the impairment is calculated as the difference between the recoverable amount of the associate and its carrying value, and recognised in the profit and loss.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associates are eliminated to the extent of the Consolidated Entity's interest in the associates.

The reporting dates of the associate and the Consolidated Entity are identical and the associate's accounting policies conform to those used by the Consolidated Entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Information regarding business activities that are below the quantitative criteria are combined, and disclosed in a separate category called "other".

h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Plant, equipment, and motor vehicles	3-7 years
Motor vehicles under finance lease	2-3 years
Leasehold improvements	3-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the *Consolidated Statement of Comprehensive Income.*

The assets' useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets during the period of time required to complete and prepare the assets for their intended use or sale.

Interest income on borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination are their fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The Consolidated Entity does not capitalise any expenditure resulting in the creation of internally generated intangible assets.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most recent evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. Refer to note 4(ii).

Development projects and land

Cost includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects. Borrowing and holding costs such as rates and taxes incurred after completion of development and construction are expensed. Costs expected to be incurred under penalty clauses and rectification provisions are also included.

Construction contracts

Construction work-in-progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Contract costs include all costs directly related to specific contracts, and costs that are specifically chargeable to the customer under the terms of the contract. The stage of completion is measured using the percentage of completion method.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Available-for-sale financial assets

The available-for-sale financial asset is an investment in an unlisted property fund. Such assets are included in non-current assets unless the investments mature or management intends to dispose of the investments within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date; the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its cost plus transactions costs that are directly attributable to the acquisition of the financial asset.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

Details of how the fair value of financial instruments is determined are disclosed in note 17.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below the cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is taken to profit and loss. Cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit and loss in the period.

Impairment losses on equity instruments previously recognised in profit and loss are not reversed through profit or loss in a subsequent period. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Trade and other receivables

Trade receivables are carried at the amount invoiced less a provision for impairment.

Settlement terms for trade receivables are generally between 30 and 180 days.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written-off when identified. A provision for impairment is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. The amount of the impairment loss is the difference between the carrying amount of the receivable and the present value of estimated future cash flows, which are not discounted for short-term receivables as the effect of discounting is immaterial.

Where a receivable is expected to be settled more than twelve months after the reporting date, its carrying amount is discounted using the effective interest rate method. The difference between the carrying amount and the present value is recorded in the *Statement of Comprehensive Income.*

n) Cash and cash equivalents

Cash and cash equivalents in the *Consolidated Statement of Financial Position* comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

For the purposes of the *Consolidated Statement of Cash Flows*, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities in the *Consolidated Statement of Financial Position*.

o) Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

p) Provisions

Provisions are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the *Consolidated Statement of Comprehensive Income* net of any reimbursement.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Employee benefits

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting period using the project unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at a pre-tax rate that reflects the time value of money.

Superannuation contributions

Contributions to superannuation plans are recognised as an expense in the *Consolidated Statement of Comprehensive Income* as they become payable.

Bonus entitlements

A liability is recognised for bonus entitlements where contractually obliged or where there is a past practice that has created a constructive obligation.

r) Share-based payment transactions

Share-based compensation benefits are provided to executives via the AVJ Deferred Employee Share Plan. Information relating to the plan is set out in note 36.

The original cost of equity-settled transactions is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value of the shares at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share-based payment reserve in equity.

In respect of shares forfeited, no further amounts are expensed. The cumulative amounts relating to non-market based measures expensed to the date of forfeiture are reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Leases

Consolidated Entity as lessee

Finance leases which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the *Consolidated Statement of Comprehensive Income*.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Consolidated Entity as lessor

Leases in which the Consolidated Entity does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Development projects and land sales

Revenue from the sale of land, houses and apartments is recognised when the significant risks, rewards of ownership and effective control have been transferred to the buyer. This has been determined to occur on settlement.

Revenue from land sales is recognised prior to settlement when a signed unconditional contract for sale exists, the significant risks, rewards of ownership and effective control have been transferred to the buyer, and there is no management involvement to the degree usually associated with ownership.

Construction contracts

Contract revenue and costs are recognised by reference to the stage of completion of the contract. Depending on the nature of the contract, this is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs; completion of physical proportion of the contract work; or surveys of work performed. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Interest revenue

Revenue is recognised as interest accrues using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Revenue recognition (continued)

Management fees

Revenue is recognised upon delivery of the services.

u) Income tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities based on current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the *Consolidated Statement of Comprehensive Income*.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax consolidation

AVJennings Limited and its wholly-owned controlled entities implemented the Tax Consolidation Legislation as of 1 July 2002.

The head entity, AVJennings Limited, has entered into an agreement with its wholly-owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to the members of the Tax Consolidated Group.

In addition to its own current and deferred tax amounts, AVJennings Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Consolidated Statement of Financial Position*.

Cash flows are included in the *Consolidated Statement of Cash Flows* on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

w) Derivative financial instruments

The Consolidated Entity uses various techniques, including interest rate swaps, caps and collars to hedge its risk associated with interest rate fluctuations. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately as income or expenses in profit and loss.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivative financial instruments are not held for trading purposes.

x) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Shares acquired on-market for use in employee share-based payment plans are referred to as treasury shares. The cost of these shares is deducted from equity. No gain or loss is recognised in profit or loss for the purchase, sale, issue or cancellation of the Company's shares.

aa) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of AVJennings Limited and its Australian subsidiaries is Australian Dollars ($). A controlled entity, AVJ Hobsonville Pty Limited, has a branch in New Zealand whose functional currency is New Zealand Dollars which is translated to the presentation currency for consolidation reporting.

(ii) Transactions and balances

Foreign currency transactions are translated into the Entity's functional currency at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when they are deferred in equity as they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies' functional currency to presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates;
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign investment is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

ab) Comparative figures

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

3. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise receivables, payables, finance leases, derivatives, cash and bank loans.

Risk Management is carried out by a central treasury department under policies approved by the Board of Directors. The objective of the policies is to support the delivery of financial targets and manage key financial risks such as interest rates, foreign currency, credit and liquidity. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

AVJennings enters into derivative transactions, principally interest rate swap, cap and collar contracts, to hedge interest rate risk exposures. Derivatives are exclusively used for hedging purposes and not as trading or other speculative instruments.

The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk. Liquidity risk is managed through the development of future rolling cash flow forecasts and the continuity of funding through the facilities mentioned in notes 25(a) and 25(b).

Primary responsibility for identification and control of financial risks rests with management under the authority of the Board. The Board reviews and agrees on policies for managing each of the following identified risks.

(i) Interest rate risk

The Consolidated Entity's exposure to market interest rates relates to the obligations arising from interest-bearing loans. The level of debt is disclosed in note 25.

The policy is to manage finance costs using a mix of fixed and variable rate debt with a target to have approximately 50% of forecast average borrowings at fixed or capped rates of interest. Forecast average borrowings are derived from periodic rolling cash flow forecasts which include an allowance for potential acquisitions. Please refer to the table on page 45 for the position at the reporting date.

To manage the mix of fixed and variable debt in a cost efficient manner, the Consolidated Entity enters into interest rate cap and collar contracts, as well as floating-to-fixed interest rate swap contracts. The fair value exposure on derivatives is a by-product of the Consolidated Entity's attempt to manage the cash flow volatility arising from interest rate changes.

Interest rate cap contracts are entered into for notional principal amounts by paying an upfront premium that covers a specific period. Interest rate collar contracts are entered into for notional principal amounts by receiving an upfront premium that covers a specific period. The strike rates for these contracts are benchmarked against the BBSY bid rate (*Australian Bank Bill Swap Reference Rate - Average Bid Rate*) on a quarterly basis. Settlement occurs quarterly, in favour of the Consolidated Entity, should the BBSY bid rate be above the cap strike rate (movements in the variable rate are directly proportional to movements in the BBSY bid rate). Conversely, settlement occurs in favour of the counterparty, should the BBSY bid rate be below the floor strike rate. If the BBSY bid rate remains between the ceiling and floor, no settlement occurs.

By entering into interest rate swaps, the Consolidated Entity agrees to exchange, at the end of each quarter, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The Consolidated Entity's interest rate derivatives do not qualify for hedge accounting treatment. Gains or losses arising from changes in fair value are recognised in profit or loss.

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

At the reporting date, the following variable rate borrowings, interest rate cap and interest rate collar contracts were outstanding:

	2014		2013	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	**$'000**	**%**	**$'000**
Cash	1.88	(4,796)	2.31	(11,649)
Bank loans	4.13	85,583	4.23	89,891
Net financial liabilities		**80,787**		**78,242**
Interest rate cap and collar		(55,000)		-
Borrowings not hedged		**25,787**		**78,242**

Interest rate derivative contracts are exposed to fair value movements if interest rates change. Details of these contracts are outlined in note 25(d).

At 30 June 2014, 36.3% of the available borrowings are at capped and collared rates of interest (2013: Nil).

The Consolidated Entity analyses its interest rate exposure on an ongoing basis. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post Tax Profit Higher/(Lower)		**Other Comprehensive Income Higher/(Lower)**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
+1.00% (100 basis points)	(34)	(70)	-	-
+0.50% (50 basis points)	(22)	(35)	-	-
-0.50% (50 basis points)	23	35	-	-

The above fluctuations in post-tax profit and other comprehensive income are net of interest capitalised to inventories. The effect on the basis that no interest is capitalised, would be as follows:

	Post Tax Profit Higher/(Lower)		**Other Comprehensive Income Higher/(Lower)**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
+1.00% (100 basis points)	(262)	(548)	-	-
+0.50% (50 basis points)	(172)	(274)	-	-
-0.50% (50 basis points)	182	274	-	-

3. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign currency risk

AVJ Hobsonville Pty Limited is a subsidiary which has a branch in New Zealand. The operations of the branch, including purchases of inventory denominated in New Zealand Dollars, are funded by AVJennings Properties Limited (another subsidiary) through an intragroup account.

The *Consolidated Statement of Financial Position* is affected by exchange rate movements between the New Zealand Dollar and Australian Dollar. This exposure is not hedged.

The Consolidated Entity also has transactional exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. This exposure is not considered to be material in relation to the branch in New Zealand.

At balance date, the Consolidated Entity had the following exposure to New Zealand Dollar foreign currency that is not designated in cash flow hedges:

	2014 NZ$'000	2013 NZ$'000
Financial Assets		
Cash and cash equivalents	1,478	41
Trade and other receivables	37,825	18,865
Total financial assets	**39,303**	**18,906**
Financial Liabilities		
Trade and other payables	34,038	889
Total financial liabilities	**34,038**	**889**
Net exposure	**5,265**	**18,017**

At balance date, had the Australian Dollar moved, the effect of exposure to New Zealand Dollar foreign currency that is not designated in cash flow hedges is illustrated in the following table:

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Consolidated				
AUD/NZD +10%	-	-	(1,447)	(1,202)
AUD/NZD - 5%	-	-	845	696
AUD/NZD -10%	-	-	1,779	1,470

(iii) Price risk

The Consolidated Entity does not have commodity and equity securities price risk.

3. FINANCIAL RISK MANAGEMENT (continued)

(iv) Credit risk

Credit risk arises from financial assets which comprise cash and cash equivalents, trade and other receivables, derivative instruments and the granting of financial guarantees. Exposure to credit arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note) as well as $8,367,000 (2013: $12,470,000) in relation to financial guarantees granted – see note 33 for further information.

Contracts for Land, Integrated Housing and Apartments usually require payment in full prior to passing of title to customers. In the event that title is to pass without full payment being received, appropriate credit verification procedures are performed prior to executing the contract.

Derivative counterparties and cash deposits are limited to financial institutions approved by the Board.

The Consolidated Entity has no significant concentrations of credit risk and does not hold any credit derivatives to offset its credit exposure.

(v) Liquidity risk

Liquidity arises from the financial liabilities of the Consolidated Entity and the ability to repay them as and when they fall due.

The objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and committed available credit facilities. Liquidity risk is managed by monitoring forecast cash flows on a monthly basis and matching the maturity profiles of financial assets and liabilities.

The current main banking facilities are due to mature on 30 September 2015 and are therefore non-current. In addition, the Consolidated Entity operates certain project funding facilities which are discussed in note 25(b).

At 30 June 2014, 4.8% (2013: 8.0%) of the Consolidated Entity's interest-bearing loans and borrowings will mature in less than one year.

A. Non-derivative financial liabilities:

The liquidity risk disclosures on page 48 reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2014. For the other obligations, the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which it can be required to be paid. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table on page 48, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. The Consolidated Entity ensures that sufficient liquid assets are available to meet all required short-term cash payments.

3. FINANCIAL RISK MANAGEMENT (continued)

(v) Liquidity risk (continued)

A. Non-derivative financial liabilities: (continued)

Year ended 30 June 2014	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	4,796	-	-	4,796
Trade and other receivables	35,744	8,813	6,159	50,716
	40,540	**8,813**	**6,159**	**55,512**
Financial Liabilities				
Trade and other payables	42,177	4,646	13,406	60,229
Interest-bearing loans and borrowings*	5,821	1,698	82,340	89,859
Financial Guarantees	8,367	-	-	8,367
	56,365	**6,344**	**95,746**	**158,455**
Net maturity	**(15,825)**	**2,469**	**(89,587)**	**(102,943)**

Year ended 30 June 2013	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	11,649	-	-	11,649
Trade and other receivables	16,338	6,695	4,120	27,153
	27,987	**6,695**	**4,120**	**38,802**
Financial Liabilities				
Trade and other payables	58,422	6,943	6,956	72,321
Interest-bearing loans and borrowings*	3,796	7,093	87,100	97,989
Financial Guarantees	12,470	-	-	12,470
	74,688	**14,036**	**94,056**	**182,780**
Net maturity	**(46,701)**	**(7,341)**	**(89,936)**	**(143,978)**

* Expected settlement amounts of interest-bearing loans and borrowings include an estimate of the interest payable to the date of expiry of the facilities.

In addition to maintaining sufficient short-term assets to meet short-term payments, at reporting date, the Consolidated Entity has approximately $83 million (2013: $95 million) of unused credit facilities available for its immediate use. Please refer to note 25.

B. Derivative financial liabilities:

There was insignificant liquidity risk arising from the derivative liabilities held by the Consolidated Entity at balance date.

3. FINANCIAL RISK MANAGEMENT (continued)

(vi) Fair value

In accordance with *AASB 7 Financial Instruments: Disclosure*s and *AASB13 Fair Value Measurement* the Group's financial instruments are classified into the following fair value measurement hierarchy:

Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities;
Level 2 Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 Inputs for the asset or liability that are not based on observable market data.

	Year ended 30 June 2014				Year ended 30 June 2013			
	Quoted market price (Level 1) $'000	Valuation technique - market observable inputs (Level 2) $'000	Valuation technique - non market observable inputs (Level 3) $'000	Total $'000	Quoted market price (Level 1) $'000	Valuation technique - market observable inputs (Level 2) $'000	Valuation technique - non market observable inputs (Level 3) $'000	Total $'000
Financial assets								
Available-for-sale								
Unlisted investments	-	-	3,000	3,000	-	-	-	-
	-	-	3,000	3,000	-	-	-	-
Financial liabilities								
Interest-bearing loans and borrowings	-	85,583	-	85,583	-	89,891	-	89,891
	-	85,583	-	85,583	-	89,891	-	89,891

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction of transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants are used. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, cap and collar contracts not traded on a recognised exchange.

The fair value of unlisted debt and equity securities, as well as other instruments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk (e.g. CDS spreads) are not observable, the derivative would be classified as based on non-observable market inputs (Level 3).

Fair values of the Group’s interest-bearing loans and borrowings are determined by using DCF method using a discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2014 was assessed to be insignificant.

There were no transfers between any of the categories during the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of a reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected, in future periods.

(i) Critical judgements in applying accounting policies

In applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

Recovery of deferred tax assets:

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the consolidated entity to generate future taxable profits and satisfy certain tests at the time the losses are recouped. If the entity fails to satisfy the tests, carried forward deferred tax assets of $10,338,000 (2013: $10,498,000) would have to be written-off to income tax expense.

Cost of goods sold:

Management uses judgement in determining the method to be used for cost apportionment. Costs may be apportioned based on yield, unit entitlement, percentage of revenue or other equitable methods. Costs include costs incurred to date as well as forecast costs to bring the inventory into a saleable state.

(ii) Critical accounting estimates and assumptions

Key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below. Assumptions and estimates are based on parameters currently available. Existing circumstances and assumptions about future developments, however, may change due to changes in market condition or circumstances arising beyond the control of the Group. Future assumptions are altered as these changes occur.

Estimates of net realisable value of inventories:
The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs of selling as per note 2(k). Estimates take into consideration fluctuations in price or cost, and development time and sales rates. The key assumptions used in this exercise require the use of management judgement and are reviewed at least half-yearly.

Profit recognised on developments:
Profit on developments is generally recognised on settlement as discussed in note 2(t). The calculation of profit for projects that are in progress, is based on actual costs to date and estimates of costs to complete.

Share-based payment transactions:
The cost of equity settled securities allocated to employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. As explained in note 36(b), the fair value of some equity instruments is determined using the Monte Carlo simulation model which includes a number of judgements and assumptions. These judgements and assumptions have no impact on the carrying value of assets and liabilities in the *Consolidated Statement of Financial Position* but may impact the share-based payment expense taken to profit and loss.

Valuation of derivatives:
Derivatives not quoted in an active market are valued based on certain assumptions and estimates. These valuations can change depending on market volatility.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

5. REVENUES AND EXPENSES

Profit/(loss) from ordinary activities before income tax includes the following revenues and expenses:

	Note	2014 $'000	2013 $'000
Revenues			
Developments		242,861	150,516
Home Improvements		-	303
Interest revenue		457	492
Management fees		4,998	4,535
Royalty revenue		399	1,007
Sundry revenue		1,855	1,609
Total revenues		**250,570**	**158,462**
Cost of property developments sold			
Amortisation of finance costs capitalised to inventories		10,579	6,089
Employee benefits expenses			
Defined contribution superannuation expense		1,307	1,185
Other employee benefits expenses		15,882	15,527
Total employee benefits expenses		**17,189**	**16,712**
Depreciation expense			
Depreciation			
Leasehold improvements	21	13	22
Plant, equipment and motor vehicles	21	317	359
Total depreciation expense		**330**	**381**
Other expenses			
Minimum operating lease payments		2,235	1,863
Finance costs			
Bank loans		9,349	9,822
Less: Amount capitalised to inventories		(8,892)	(9,330)
Finance costs expensed		**457**	**492**
Impairment of assets			
(Decrease)/increase in provision for loss on inventories		(5,154)	22,964
Total impairment		**(5,154)**	**22,964**

For the year ended 30 June 2014, the decrease in the provision resulted from a realignment of future assumptions with the improvement in current market conditions predominantly affecting projects in New South Wales and Queensland.

6. OPERATING SEGMENTS

Identification of reportable segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the states in which the Consolidated Entity sells its products and services. Discrete financial information about each of these operating businesses is reported on a monthly basis.

Types of products and services

The Consolidated Entity operates primarily in residential development.

Accounting policies

The accounting policies used in reporting segments are the same as those contained in the Financial Report.

Operating 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 are interest and royalty revenue, and certain sales commissions.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

6. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments for the year ended 30 June 2014:

Operating segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenues														
External sales	69,138	42,934	45,273	27,855	78,810	37,783	22,982	26,963	26,658	15,284	-	-	242,861	150,819
Management fees	2,482	2,248	54	810	-	-	145	133	2,317	1,344	-	-	4,998	4,535
Other revenue	-	-	-	-	-	-	-	-	-	-	2,711	3,108	2,711	3,108
Total segment revenues	**71,620**	**45,182**	**45,327**	**28,665**	**78,810**	**37,783**	**23,127**	**27,096**	**28,975**	**16,628**	**2,711**	**3,108**	**250,570**	**158,462**
Results														
Segment results	11,895	1,746	6,529	1,957	7,687	(1,153)	2,383	3,222	5,418	3,858	(42)	114	33,870	9,744
Movement in provision for loss on inventories	2,928	(1,565)	(182)	(3,111)	2,542	(18,207)	(134)	(81)	-	-	-	-	5,154	(22,964)
Fair value movement in interest rate derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	187
Other income	-	-	-	-	-	-	-	-	-	-	2,711	3,108	2,711	3,108
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	(330)	(381)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(13,935)	(12,493)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(457)	(492)
Profit/(loss) before tax													27,013	(23,291)
Income tax													(8,231)	8,025
Net profit/(loss)													**18,782**	**(15,266)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

6. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments as at 30 June 2014:

Operating Segment	NSW		VIC		QLD		SA		NZ		Other		Total	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Assets														
Segment assets	129,041	122,558	94,697	106,068	103,208	122,631	70,196	70,240	59,830	21,990	14,316	19,416	471,288	462,903
Total assets	**129,041**	**122,558**	**94,697**	**106,068**	**103,208**	**122,631**	**70,196**	**70,240**	**59,830**	**21,990**	**14,316**	**19,416**	**471,288**	**462,903**
Liabilities														
Segment liabilities	6,850	7,127	6,520	18,068	5,873	40,402	16,760	19,468	33,629	2,425	85,876	80,052	155,508	167,542
Total liabilities	**6,850**	**7,127**	**6,520**	**18,068**	**5,873**	**40,402**	**16,760**	**19,468**	**33,629**	**2,425**	**85,876**	**80,052**	**155,508**	**167,542**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

7. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel

	2014 $	2013 $
Short-term		
- Salary/Fees	2,484,585	2,248,278
- Cash bonus	280,167	225,070
- Other (1)	81,607	76,617
Post employment		
- Superannuation (2)	184,342	155,303
Long-term		
- Long service leave	69,551	59,611
Share-based payment	282,796	357,866
	3,383,048	**3,122,745**

(1) 'Other' represents the value of motor vehicle benefits.
(2) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Consolidated Entity does not contribute to any Defined Benefit Plans.

(b) Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out on page 56.

7. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Shareholdings of Key Management Personnel (continued)

Number of shares held in AVJennings Limited

	Opening Balance	Vested as Remuneration	Net Other Change[1]	Closing Balance
For the year ended 30 June 2014				
Directors				
S Cheong	192,318,030	-	-	**192,318,030**
E Sam	209,349	-	-	**209,349**
PK Summers	2,416,266	-	-	**2,416,266**
RJ Rowley	252,000	-	-	**252,000**
D Tsang[2]	837,396	-	-	**837,396**
Executives				
A Soutar	212,131	-	-	**212,131**
L Mahaffy	19,967	-	-	**19,967**
SC Orlandi	143,337	-	-	**143,337**
CD Thompson	823,152	-	-	**823,152**
L Hunt	41,916	-	-	**41,916**
Total	**197,273,544**	**-**	**-**	**197,273,544**
For the year ended 30 June 2013				
Directors				
S Cheong	137,370,023	-	54,948,007	**192,318,030**
E Sam	149,535	-	59,814	**209,349**
PK Summers	1,275,481	-	1,140,785	**2,416,266**
RJ Rowley	180,000	-	72,000	**252,000**
Executives				
A Soutar	-	-	212,131	**212,131**
L Mahaffy	-	-	19,967	**19,967**
SC Orlandi	-	-	143,337	**143,337**
CD Thompson[3]	319,500	-	503,652	**823,152**
L Hunt	2,222	-	39,694	**41,916**
Total	**139,296,761**	**-**	**57,139,387**	**196,436,148**

(1) For the year ended 30 June 2013, includes shares acquired through the Rights Issue.
(2) Appointed 2 June 2014.
(3) Includes 244,000 shares acquired on market.

No other Key Management Personnel held shares in AVJennings Limited at any time during the year.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(c) Loans to Key Management Personnel

There are currently no outstanding loans receivable from Key Management Personnel. No loans were advanced to Key Management Personnel during the year.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

8. AUDITOR'S REMUNERATION

	2014	2013
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the 30 June full-year and 31 December interim financial reports of the Entity and other entities in the Consolidated Group	243,555	250,460
- Share of audit or review costs of the financial reports of the Consolidated Entity's joint ventures	2,785	2,730
- Other services in relation to the Entity and any other entities in the Consolidated Group		
- non-audit related fees	-	10,300
Total auditor's remuneration	**246,340**	**263,490**

9. INCOME TAX

	2014 $'000	2013 $'000
The major components of income tax are:		
Current income tax		
Current income tax charge	1,214	916
Adjustment for prior year	19	(383)
Deferred income tax		
Current year temporary differences	6,820	(8,556)
Adjustment for prior year	178	(2)
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**8,231**	**(8,025)**

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

Accounting profit/(loss) before income tax	**27,013**	**(23,291)**
Tax at Australian income tax rate of 30% (2013 - 30%)	8,104	(6,987)
Adjustment for prior year	197	(385)
Equity accounted share of Joint Venture profits	(590)	(368)
Other non-deductible items and variations	520	(285)
Income tax	**8,231**	**(8,025)**

Tax consolidation
AVJennings Limited and its wholly-owned resident entities have formed a tax consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The accounting policy in relation to tax consolidation is set out in note 2(u).

The Head Entity, AVJennings Limited, has entered into an agreement with its wholly-owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the Tax Consolidated Group.

Nature of tax funding arrangements and tax sharing agreements
Entities within the Tax Consolidated Group have entered into a tax funding arrangement and a tax sharing agreement with the Head Entity. Under the terms of the Tax Funding Arrangement, each of the entities in the Tax Consolidated Group has agreed to pay or receive a tax equivalent payment to, or from, the Head Entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the Tax Consolidated Group.

The Tax Sharing Agreement entered into between members of the Tax Consolidated Group provides for the determination of the allocation of income tax liabilities between the entities should the Head Entity default on its tax payment obligations or if an entity should leave the Tax Consolidated Group. The effect of the Tax Sharing Agreement is that each member's liability for tax payable by the Tax Consolidated Group is limited to the amount payable to the Head Entity under the Tax Funding Arrangement.

Taxation of financial arrangements (TOFA)
Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Consolidated Entity has assessed the potential impact of these changes on its tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2014 (2013: $Nil).

10. DIVIDENDS

	2014 $'000	2013 $'000
Dividends proposed		
2014 final dividend of 2.0 cents per fully paid share, to be paid 18 September 2014. Fully franked @ 30% tax	7,688	-
Total dividends proposed	**7,688**	**-**

The Company's Dividend Reinvestment Plan remains suspended.

	2014 $'000	2013 $'000
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30%	**20,817**	**20,817**

11. EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share

For basic and diluted earnings per share:

	2014 $'000	2013 $'000
Net profit/(loss) attributable to ordinary equity holders of the parent	18,782	(15,266)

(b) Weighted average number of shares used as denominator	2014 Number	2013 Number
Weighted average number of ordinary shares	384,423,851	283,014,405
Treasury shares	(4,221,605)	(3,365,100)
Weighted average number of ordinary shares for earnings per share	380,202,246	279,649,305

There have been no transactions involving ordinary shares that would significantly change the number of ordinary shares outstanding between the reporting date and the date of completion of these Consolidated Financial Statements.

12. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Reconciliation to Consolidated Statement of Cash Flows		
For the purposes of *Consolidated Statement of Cash Flows*, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	**4,796**	**11,649**

13. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Trade receivables	30,311	11,936
Related parties receivables	2,812	2,497
Funds held in solicitors trust accounts	2,090	5,359
Other receivables	9,426	3,251
Allowance for impairment loss	(82)	(10)
Total current trade and other receivables	**44,557**	**23,033**
Non-current		
Trade receivables	6,159	4,120
Total non-current trade and other receivables	**6,159**	**4,120**

(a) Allowance for impairment loss

An impairment loss $72,000 (2013: Nil) has been recognised by the Consolidated Entity in the current year.

At 30 June, the ageing analysis of trade receivables is as follows:

		Number of days outstanding				
	Total $'000	0-30 $'000	31-60* $'000	61-90* $'000	+ 91* $'000	+ 91# $'000
2014	36,470	7,803	2,748	5,868	19,969	82
2013	16,056	11,147	537	-	4,362	10

* Receivable under extended terms contracts. There are no amounts due but not paid.
# Considered impaired

13. TRADE AND OTHER RECEIVABLES (continued)

	2014 $'000	2013 $'000
At the beginning of the year	10	10
Amounts provided for during the year	72	-
At the end of the year	**82**	**10**

(b) Related party receivables

For terms and conditions relating to related party receivables, refer to note 35(i).

(c) Other receivables

Other receivables generally arise from transactions outside the usual operating activities of the Consolidated Entity. These receivables are not past due or impaired.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Consolidated Entity's policy to transfer (on-sell) receivables to special purpose entities.

14. INVENTORIES

	Note	2014 $'000	2013 $'000
Current			
Broadacres			
Land to be subdivided - at cost		52,688	27,958
Borrowing and holding costs capitalised	14(a)	9,385	12,195
Provision for loss on inventories		(6,583)	(3,237)
Total broadacres		55,490	36,916
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		53,708	24,553
Development costs capitalised		27,821	4,600
Houses and apartments under construction - at cost		13,978	4,211
Borrowing and holding costs capitalised	14(a)	7,283	2,660
Provision for loss on inventories		(9,424)	(819)
Total work-in-progress		93,366	35,205
Completed inventory			
Completed houses and apartments - at cost		2,726	11,861
Completed residential land lots - at cost		17,444	29,819
Borrowing and holding costs capitalised	14(a)	934	2,789
Provision for loss on inventories		(1,941)	(7,522)
Total completed inventory		19,163	36,947
Total current inventories		**168,019**	**109,068**
Non-current			
Broadacres			
Land to be subdivided - at cost		164,921	240,755
Borrowing and holding costs capitalised	14(a)	53,110	55,014
Provision for loss on inventories		(28,298)	(41,258)
Total broadacres		189,733	254,511
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		16,509	32,254
Development costs capitalised		3,541	2,702
Borrowing and holding costs capitalised	14(a)	576	1,090
Provision for loss on inventories		-	(12,060)
Total work-in-progress		20,626	23,986
Completed inventory			
Completed residential land lots - at cost		2,454	3,248
Borrowing and holding costs capitalised	14(a)	12	-
Provision for loss on inventories		(21)	-
Total completed inventory		2,445	3,248
Total non-current inventories		**212,804**	**281,745**
Total inventories		**380,823**	**390,813**

14. INVENTORIES (continued)

(a) Borrowing costs are recognised as part of the carrying amount of the qualifying asset. Borrowing costs include interest, fees and costs associated with interest rate derivatives. These costs have been capitalised at a weighted average rate of 7.64% (2013: 8.31%).
(b) Inventory with a book value of $92,718,000 (2013: $100,227,000) had been pledged as security for project specific borrowings (refer to note 25(b)). The Consolidated Entity's remaining inventory has been pledged as security for the main banking facility (refer to note 25(a)).
(c) Previous write-downs of inventories to net realisable value reversed and recognised as a credit during the year ended 30 June 2014 amounted to $5,154,000 (2013 write-down: $22,964,000). The credit has been disclosed as a separate item in the *Consolidated Statement of Comprehensive Income.*

Movements in provision for loss on inventories

	2014 $'000	2013 $'000
At the beginning of the year	64,896	48,621
Amounts utilised	(13,475)	(6,689)
Provisions (reversed)/created	(5,154)	22,964
At the end of the year	**46,267**	**64,896**

15. OTHER CURRENT ASSETS

Prepayments	1,308	1,067
Deposits	79	144
Total other current assets	**1,387**	**1,211**

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2014 $'000	2013 $'000
Investment in Associate - unincorporated	16(a)	5	46
Interest in Joint Venture Entities - unlisted	16(b)	27,103	25,135
Total equity accounted investments		**27,108**	**25,181**

Investments in Associates are accounted for in accordance with the policy outlined in note 2(f) while Joint Venture Entities are accounted for in accordance with note 2(e).

(a) Investment in Associate

The Consolidated Entity has significant influence over the Associate because it is represented on the project governing body and its employees provide essential technical knowledge to the project. The Associate is an unincorporated partnership which trades in Australia. It has a 30 June year-end and its principal activity is the development and sale of residential lots.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investment in Associate (continued)

	Interest held	
	2014	**2013**
Associate name and principal activity		
Epping JV - Land Development	10%	10%

	2014 $'000	2013 $'000
Movements in carrying amount		
At the beginning of year	46	499
Distribution received	(40)	(520)
Share of net profit	(1)	67
At the end of year	**5**	**46**

Summarised financial information of the Associate

The Consolidated Entity's share of the results of the Associate and its aggregated assets and liabilities are as follows:

	2014 $'000	2013 $'000
Assets	9	55
Liabilities	4	9
Revenues	1	419
(Loss)/profit	(1)	67

Impairment

The Consolidated Entity's investment in the Associate was not impaired at any time during the year.

Share of Associate's commitments and contingent liabilities

The Associate's commitments and contingent liabilities have been entered into on a non-recourse basis and therefore the Consolidated Entity has no exposure to the Associate's commitments and contingent liabilities as at the date of this Report.

The Associate had no outstanding performance guarantees at 30 June 2014. The share of contingent liabilities in respect to certain performance guarantees granted by the Associate at 30 June 2013, in the normal course of business to unrelated parties, amounted to $18,000.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Interest in Joint Venture Entities

	Interest held	
	2014	2013
Joint Venture Entity and principal activities		
Eastwood - Land Development and Building Construction	50%	50%
Woodville - Land Development and Building Construction	50%	50%

	2014 $'000	2013 $'000
Movements in carrying amount		
At the beginning of year	25,135	23,908
Share of net profit	1,968	1,227
At the end of year	**27,103**	**25,135**

The Consolidated Entity's share of the Joint Venture Entities' assets, liabilities, revenue and expenses are as follows:

Share of assets and liabilities		
Current assets	29,564	20,185
Non-current assets	-	13,648
Total assets	29,564	33,833
Current liabilities	1,717	1,988
Non-current liabilities	744	6,710
Total liabilities	2,461	8,698
Net assets	**27,103**	**25,135**
Share of revenue, expenses and results		
Revenues	26,336	19,882
Expenses	(23,525)	(18,129)
Profit before tax	2,811	1,753
Tax	(843)	(526)
Profit after tax	**1,968**	**1,227**

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2014 $'000	2013 $'000
Non-current assets		
Property Fund Units	3,000	-

Represents the fair value of units in an unlisted property fund. The fair value of the units is $3,000,000 (2013: nil). Fair value was determined by directly observable prices for the asset.

Impairment and risk exposure

None of the financial assets are either past due or impaired.

All available-for-sale investments are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the intention is to hold the investments to maturity.

18. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2014 $'000	2013 $'000
Balance Sheet		
Current assets	51,729	69,176
Total assets	215,015	232,462
Current liabilities	6	17,025
Total liabilities	6	17,025
Shareholders' equity		
Contributed equity	160,436	160,960
Reserves		
Share-based payment reserve	1,173	1,077
Retained earnings	53,400	53,400
Total equity	**215,009**	**215,437**
Profit for the year	**-**	**-**
Total comprehensive income	**-**	**-**

(b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any financial guarantees.

(c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 30 June 2014 (2013: Nil).

19. CONTROLLED ENTITIES

(a) Investment in controlled entities

The following economic entities are the controlled entities of AVJennings Limited:

ECONOMIC ENTITY [1]	% Equity Interest 2014	% Equity Interest 2013	Included in Banking Cross Deed of Covenant [2] 2014	Included in Banking Cross Deed of Covenant [2] 2013
Entities included in the Closed Group				
A.V. Jennings Real Estate Pty Limited	100	100	No	No
AVJennings Real Estate (VIC) Pty Limited	100	100	No	No
AVJennings Holdings Limited[3]	100	100	Yes	Yes
AVJennings Properties Limited[3]	100	100	Yes	Yes
Jennings Sinnamon Park Pty Limited	100	100	No	No
Long Corporation Limited[3]	100	100	Yes	Yes
Orlit Pty Limited[3]	100	100	Yes	Yes
Sundell Pty Limited[3]	100	100	Yes	Yes
AVJennings Housing Pty Limited[3]	100	100	Yes	Yes
AVJennings Home Improvements S.A. Pty Limited[3]	100	100	Yes	Yes
AVJennings Mackay Pty Limited[3]	100	100	Yes	Yes
Entities excluded from the Closed Group				
Crebb No 12 Pty Limited	100	100	Yes	Yes
Dunby Pty Limited	100	100	Yes	Yes
Epping Developments Limited	100	100	No	No
Montpellier Gardens Pty Limited	100	100	Yes	Yes
Sirda Pty Limited[4]	-	100	No	No
AVJ ODP Pty Limited	100	100	No	No
AVJennings (Cammeray) Pty Limited	100	100	Yes	Yes
AVJennings Syndicate No 2 Limited[4]	-	100	No	No
AVJennings Syndicate No 3 Limited	100	100	No	No
AVJennings Syndicate No 4 Limited	100	100	Yes	Yes
AVJennings Officer Syndicate Limited	100	100	Yes	Yes
AVJennings Properties SPV No 1 Pty Limited	100	100	No	No
AVJennings Properties SPV No 2 Pty Limited	100	100	No	No
AVJennings Properties SPV No 3 Pty Limited[4]	-	100	No	No
AVJennings Properties SPV No 4 Pty Limited	100	100	No	No
AVJennings Wollert Pty Limited	100	100	No	No
AVJ Erskineville Pty Limited	100	100	Yes	Yes
AVJ Hobsonville Pty Limited	100	100	Yes	Yes
AVJ SPV No 8 Pty Limited[4]	-	100	No	No
AVJennings Properties SPV No 9 Pty Limited	100	100	Yes	Yes
AVJennings SPV No 10 Pty Limited	100	100	Yes	Yes
AVJennings Properties SPV No 11 Pty Limited	100	100	Yes	Yes
AVJennings Properties SPV No 15 Pty Limited[4]	-	100	No	No
Creekwood Developments Pty Limited	100	100	Yes	Yes
Portarlington Nominees Pty Limited	100	100	No	No

(1) All entities are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited, which has a branch in New Zealand, all entities operate within Australia.
(2) These entities, including AVJennings Limited, are included under the Banking Cross Deed of Covenant referred to in note 25(a).
(3) These entities, including AVJennings Limited, are included in the Deed of Indemnity for Contract performance bond facility referred to in note 25(c).
(4) These entities were deregistered on 2 October 2013.

19. CONTROLLED ENTITIES (continued)

(b) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Pte Ltd is the ultimate parent entity.

(c) Deeds of cross guarantee

Certain entities within the Group are parties to deeds of cross guarantee under which each controlled entity guarantees the debts of the others. By entering into these deeds, the controlled entities are relieved from the requirement to prepare Financial Statements and Directors' Reports under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/321, 01/1087, 02/248, 02/1017, 04/663, 04/682, 04/1624, 05/542, 06/51, 08/11, 08/255, 08/618 and 09/626) issued by the Australian Securities and Investments Commission (ASIC). Those entities included in the Closed Group are listed in note 19(a). These entities represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deeds of cross guarantee that are controlled by AVJennings Limited, they also represent the "Extended Closed Group".

(d) Class order closed group

Certain controlled entities were granted relief by ASIC (under provisions of Class Orders) from the requirement to prepare separate audited financial statements, where deeds of indemnity have been entered into between the Parent Entity and the Controlled Entities to meet their liabilities as required (refer to note 19(c)).

The Extended Closed Group referred to in the *Directors' Declaration* therefore comprises all of the entities within the Class Order. Certain entities falling outside of the Extended Closed Group are listed in note 19(a), and are therefore required to prepare separate annual financial statements.

The *Consolidated Statement of Comprehensive Income* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2014	2013
	$'000	$'000
Revenues	144,792	98,616
Cost of property development sold	(108,027)	(97,701)
Other expenses	(28,951)	(31,205)
Profit/(loss) before income tax	**7,814**	**(30,290)**
Income tax	(2,470)	8,697
Profit/(loss) after income tax	**5,344**	**(21,593)**
Dividend from non closed group member	-	4
Profit/(loss) for the year	**5,344**	**(21,589)**

19. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Consolidated Statement of Financial Position* for those controlled entities which are party to the deed is as follows:

	2014 $'000	2013 $'000
CURRENT ASSETS		
Cash and cash equivalents	4,416	10,804
Trade and other receivables	135,796	145,938
Inventories	78,250	56,774
Other current assets	1,335	931
Total current assets	**219,797**	**214,447**
NON-CURRENT ASSETS		
Inventories	134,188	169,688
Property, plant and equipment	642	993
Deferred tax assets	-	4,304
Intangible assets	2,816	2,816
Total non-current assets	**137,646**	**177,801**
Total assets	**357,443**	**392,248**
CURRENT LIABILITIES		
Trade and other payables	13,409	57,969
Provisions	4,674	4,015
Total current liabilities	**18,083**	**61,984**
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	77,000	75,000
Deferred tax liabilities	2,327	-
Provisions	698	845
Total non-current liabilities	**80,025**	**75,845**
Total liabilities	**98,108**	**137,829**
Net assets	**259,335**	**254,419**
EQUITY		
Contributed equity	160,436	160,960
Reserves	1,173	1,077
Retained earnings	97,726	92,382
Total equity	**259,335**	**254,419**

19. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Consolidated Statement of Changes in Equity* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2014	**2013**
	$'000	**$'000**
At beginning of the year	254,419	227,631
Changes in equity due to members entering/exiting the closed group	-	60
Profit/(loss) for the year	5,344	(21,589)
Total income and expenses for the year	5,344	(21,529)
Equity transactions		
- Ordinary share capital raised	-	39,956
- Treasury shares acquired	(524)	(92)
- Share-based payment reserve	96	390
- Movements between Closed Group and non Closed Group members	-	8,063
	4,916	26,788
At end of the year	**259,335**	**254,419**

20. INTEREST IN JOINT OPERATIONS

A number of controlled entities have entered into joint operations. Information relating to the Joint Operations is set out below:

	INTEREST IN OUTPUT	
	2014	**2013**
Joint Operation name and principal activities		
Cheltenham Joint Venture - Land Development and Building Construction	50%	50%
Hobsonville Joint Venture - Land Development	50%	50%

On 15 July 2014, the Consolidated Entity entered into an agreement to purchase the 50% share held by the joint operation partner in the Cheltenham Joint Venture. It is anticipated settlement will occur in September 2014. Cheltenham does not constitute a business and will therefore be accounted for as an asset acquisition in the forthcoming year.

20. INTEREST IN JOINT OPERATIONS (continued)

The Consolidated Entity's interest in the profits and losses of the individually immaterial Joint Operations are included in the *Consolidated Statement of Comprehensive Income*, in accordance with the accounting policy described in note 2(e), under the following classifications:

	2014 $'000	2013 $'000
Revenues	39,431	31,240
Cost of property developments sold	(32,195)	(22,376)
Other expenses	(993)	(1,702)
Profit before income tax	**6,243**	**7,162**
Income tax	(1,873)	(2,149)
Net profit for the year	**4,370**	**5,013**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**4,370**	**5,013**

The Consolidated Entity's interest in the assets and liabilities of individually immaterial Joint Operations are included in the *Consolidated Statement of Financial Position*, in accordance with the policy described in note 2(e), under the following classifications:

	2014 $'000	2013 $'000
CURRENT ASSETS		
Cash and cash equivalents	343	810
Trade and other receivables	2,544	2,999
Inventories	25,856	15,299
Other current assets	2	16
Total current assets	**28,745**	**19,124**
NON-CURRENT ASSETS		
Inventories	18,960	29,400
Property, plant and equipment	2	3
Total non-current assets	**18,962**	**29,403**
Total assets	**47,707**	**48,527**
CURRENT LIABILITIES		
Trade and other payables	8,516	4,713
Interest-bearing loans and borrowings	313	313
Total current liabilities	**8,829**	**5,026**
NON-CURRENT LIABILITIES		
Trade and other payables	-	6,956
Interest-bearing loans and borrowings	4,500	4,338
Total non-current liabilities	**4,500**	**11,294**
Total liabilities	**13,329**	**16,320**

21. PROPERTY, PLANT AND EQUIPMENT

	2014 $'000	2013 $'000
Leasehold improvements		
At cost	405	399
Less: accumulated depreciation	(343)	(330)
Total leasehold improvements	**62**	**69**
Plant, equipment and motor vehicles		
At cost	6,426	8,133
Less: accumulated depreciation	(5,846)	(7,209)
Total plant and equipment	**580**	**924**
Total property, plant and equipment	**642**	**993**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below:

For the year ended 30 June 2013	**Note**	**Leasehold improve-ments $'000**	**Plant, equipment and motor vehicles $'000**	**Total $'000**
Carrying amount at 1 July 2012		71	1,103	1,174
Additions		20	208	228
Disposals		-	(28)	(28)
Depreciation charge	5	(22)	(359)	(381)
Carrying amount at 30 June 2013		**69**	**924**	**993**
For the year ended 30 June 2014				
Carrying amount at 1 July 2013		69	924	993
Additions		6	70	76
Disposals		-	(97)	(97)
Depreciation charge	5	(13)	(317)	(330)
Carrying amount at 30 June 2014		**62**	**580**	**642**

22. DEFERRED TAX ASSETS

	Note	2014 $'000	2013 $'000
The provision for deferred income tax is made up as follows:			
- capitalisation of development costs		-	(22,336)
- prepayments, accruals/provisions and investments		-	(3,699)
- brand name		-	(845)
- provisions for asset impairments		-	19,469
- tax loss carried forward		-	10,498
Deferred tax assets		**-**	**3,087**

Reconciliations

Reconciliations of the carrying amount of the deferred tax asset at the beginning and end of the year are set out below:

		2014 $'000	2013 $'000
Opening balance		3,087	-
Transferred to/from deferred tax liabilities	27	(3,087)	(5,938)
Arising temporary differences		-	9,025
Carrying amount at end of year		**-**	**3,087**

23. INTANGIBLE ASSETS

	2014 $'000	2013 $'000
Brand name at cost	9,868	9,868
Less: accumulated amortisation	(7,052)	(7,052)
Total intangible assets	**2,816**	**2,816**

The intangible asset relates to the value of the "AVJennings" brand name which was acquired as part of a business combination in 1995. On recognition, the asset was determined to have a finite life of 20 years and has since been amortised over the expected useful life. In accordance with the accounting policy discussed in note 2(j), the amortisation period and the amortisation method for an intangible asset are reviewed at least each financial year-end. A review carried out at 31 December 2009 determined that the brand name has indefinite useful life. This change in accounting estimate has been applied prospectively with amortisation ceasing as of 31 December 2009.

The brand name is tested for impairment annually, or more frequently if there are indicators of impairment. At 30 June 2014, there were no indicators of impairment.

24. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Unsecured		
Land creditors	17,646	47,342
Trade creditors	11,094	8,689
Related party payables	2,750	2,750
Other creditors and accruals	15,333	6,584
Total current payables	**46,823**	**65,365**
Non-Current		
Unsecured		
Land creditors	13,406	6,956
Total non-current payables	**13,406**	**6,956**

Land creditors

The amounts due to secured land creditors are secured over the title to properties acquired by way of either mortgage back or bank guarantee in favour of the land vendor. These security arrangements remain in place until final settlement of the amounts due to the land vendor. Titles for the unsecured land creditors only transfer to the Consolidated Entity on full payment of the amount outstanding or upon provision of some other security.

Related party payables

For terms and conditions relating to related party payables, refer to note 35(i).

Fair value

Due to the short-term nature of current payables, their carrying amount is assumed to approximate their fair value. Non-current land creditors have been discounted using a rate of 7.32% (2013: 7.59%).

25. INTEREST-BEARING LOANS AND BORROWINGS

	2014 $'000	2013 $'000
Current		
Secured		
Bank loans	4,083	7,171
Total current interest-bearing liabilities	**4,083**	**7,171**
Non-current		
Secured		
Bank loans	81,500	82,720
Total non-current interest-bearing liabilities	**81,500**	**82,720**

Financing arrangements

The Consolidated Entity has access to the following lines of credit:

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2014				
Main banking facilities	25(a)			
- bank loans		140,000	77,000	63,000
- performance bonds and other non-cash facilities		13,600	5,835	7,765
		153,600	**82,835**	**70,765**
Project funding facilities	25(b)			
- bank loans		11,691	8,583	3,108
- performance bonds and other non-cash facilities (1)		16,000	9,977	6,023
		27,691	**18,560**	**9,131**
Contract performance bond facility	25(c)			
- performance bonds		**15,000**	**12,140**	**2,860**
30 June 2013				
Main banking facilities	25(a)			
- bank loans		140,000	75,000	65,000
- performance bonds and other non-cash facilities		18,600	7,838	10,762
		158,600	**82,838**	**75,762**
Project funding facilities	25(b)			
- bank loans		24,128	14,891	9,237
- performance bonds and other non-cash facilities		19,750	12,442	7,308
		43,878	**27,333**	**16,545**
Contract performance bond facility	25(c)			
- performance bonds		**10,000**	**7,396**	**2,604**

(1) At 30 June 2014 these facilities are interchangeable up to $5 million (2013: $5 million) between the bank loans and performance bonds/other non-cash facilities.

25. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Significant terms and conditions

(a) Main banking facilities

The main banking facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Consolidated Entity, other than those assets pledged as security for project funding (see note 25(b)). The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee obligations of those entities in relation to the main banking facilities. Details of entities included in the cross deed of covenant are set out in note 19. The current interest rates on the bank loans range from 4.20% to 4.26% (2013: 4.34% to 4.54%).

The Consolidated Entity's main banking facilities mature on 30 September 2015. These facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Consolidated Entity as mentioned above, and by first registered mortgages over various real estate inventories other than those assets pledged as security for project funding (see note 25(b)).

(b) Project funding facilities

Project funding facilities are secured by:

- fixed and floating charge over all assets and undertakings of the entity involved in the relevant project, namely, AVJennings Wollert Pty Limited;
- first registered mortgage over the real estate inventories of the entity involved in the relevant project, namely, AVJennings Wollert Pty Limited;
- fixed and floating charge over the assets and undertakings of a related company involved in the relevant project, namely, St Clair JV Nominee Pty Limited;
- deed of mortgage over the shares held by the relevant entity, namely, AVJennings Properties SPV No 4 Pty Limited, in a related company, namely, St Clair JV Nominee Pty Limited;
- fixed and floating charge over the assets and undertakings, including project rights, of a relevant entity, namely, AVJennings Properties SPV No 4 Pty Limited;
- fixed and floating charge over the assets of the entity involved in the relevant project, namely, Portarlington Nominees Pty Limited; and
- first registered mortgage over certain real estate inventories of the entity involved in the relevant project, namely, Portarlington Nominees Pty Limited.

At 30 June 2014 the facilities shown are interchangeable up to $5,000,000 (2013: $5,000,000) between the bank loans and performance bonds/other non-cash facilities. The lines of credit shown are maximum limits which are available progressively as projects are developed. The expiry dates for the facilities are between March 2015 and August 2015. Individual projects are expected to be completed and the outstanding amounts repaid or refinanced prior to expiry of each facility. As at 30 June 2014, the balance outstanding on the bank loan facilities was $8,583,000 (2013: $14,891,000).

	2014 $'000	2013 $'000
The carrying amounts of the pledged assets are as follows:		
Wollert, Victoria	29,830	40,250
Cheltenham, South Australia	47,707	48,527
Arlington Rise, Victoria	19,054	18,480

The weighted average interest rate on the project funding loans at year-end was 3.27% (2013: 3.52%).

25. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(c) Contract performance bond facility

The Consolidated Entity has entered into a Contract performance bond facility of $15,000,000 (2013: $10,000,000). The Contract performance bond facility is subject to review annually. This facility expires on 31 October 2014 and management expects the annual review which is underway, to be completed shortly and the facility extended for a further 12 months. The Contract performance bond facility is secured by a Deed of Indemnity between the Parent Entity and various controlled entities. Details of the controlled entities, included in the Deed of Indemnity are set out in note 19.

(d) Interest rate hedge instruments

The Consolidated Entity has entered into interest rate cap and collar contracts to limit exposure to changing interest rates. The interest rate structure is a combination of purchasing a cap and selling a floor, which effectively limits rate fluctuations to within a range (i.e. a ceiling and floor). The structure is used because it provides the benefit of capping interest rate increases whilst limiting the benefit of any interest rate decreases to the collar rate.

Interest rate cap and collar contracts have been entered into for a principal Australian Dollar amount which varies quarterly over the contract term. The strike rates for these contracts are benchmarked against the BBSY bid rate (*Australian Bank Bill Swap Reference Rate - Average Bid Rate*) on a quarterly basis.

For the quarter, should the BBSY bid rate be above the cap strike rate, settlement occurs in favour of the Consolidated Entity. Should the BBSY bid rate be below the floor strike rate, settlement occurs in favour of the counterparty. If the BBSY bid rate remains between the ceiling and floor, no settlement occurs.

Details of interest rate derivative contracts are as follows:

Type of derivative	Period Start Date	Period End Date	Cap Rate %	Floor Rate %	Principal Amount 2014 $'000	Principal Amount 2013 $'000
Interest rate cap and collar	11-Jun-14	11-Sep-14	2.95	2.50	55,000	-
Interest rate cap and collar	11-Sep-14	11-Dec-14	2.95	2.50	45,000	-
Interest rate cap and collar	11-Dec-14	11-Mar-15	2.95	2.50	40,000	-
Interest rate cap and collar	11-Mar-15	11-Jun-15	2.95	2.50	30,000	-
Interest rate cap and collar	11-Jun-15	30-Sep-15	2.95	2.50	20,000	-

The Consolidated Entity's interest rate derivatives do not qualify for hedge accounting treatment. Gains or losses arising from changes in fair value are recognised in profit or loss.

26. TAX PAYABLE

	2014 $'000	2013 $'000
Income tax payable	**251**	**449**

27. DEFERRED TAX LIABILITIES

	Note	2014 $'000	2013 $'000
The provision for deferred income tax is made up as follows:			
- capitalisation of development costs		21,742	-
- prepayments, accruals/provisions and investments		5,729	-
- brand name		845	-
- provisions for asset impairments		(13,937)	-
- tax loss carried forward		(10,338)	-
Deferred tax liabilities		**4,041**	**-**

Reconciliations

Reconciliations of the carrying amount of the deferred tax liability at the beginning and end of the year are set out below:

	Note	2014 $'000	2013 $'000
Carrying amount at beginning of year		-	5,938
Transferred from/to deferred tax assets	22	(3,087)	(5,938)
Arising temporary differences		7,128	-
Carrying amount at end of year		**4,041**	**-**

28. PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee benefits	3,526	3,056
Other	1,180	980
Total current provisions	**4,706**	**4,036**
Non-current		
Employee benefits	698	845
Total non-current provisions	**698**	**845**

29. CONTRIBUTED EQUITY

	Note	2014 *Number*	2013 *Number*	2014 $'000	2013 $'000
Ordinary shares	29(a)	384,423,851	384,423,851	162,793	162,793
Treasury shares	29(b)	(4,221,605)	(3,365,100)	(2,357)	(1,833)
Share capital				**160,436**	**160,960**

(a) Movement in ordinary share capital	***Number***	***Number***	**$'000**	**$'000**
As at the beginning of the year	384,423,851	274,588,694	162,793	122,837
Issued pursuant to the Rights Issue 3 June 2013	-	109,835,157	-	39,956
As at the end of the year	**384,423,851**	**384,423,851**	**162,793**	**162,793**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are currently no unexercised or outstanding options. No options were exercised during the year.

(b) Movement in treasury shares	**2014** ***Number***	**2013** ***Number***	**2014 $'000**	**2013 $'000**
As at the beginning of the year	(3,365,100)	(3,071,187)	(1,833)	(1,741)
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	(856,505)	(293,913)	(524)	(92)
As at the end of the year	**(4,221,605)**	**(3,365,100)**	**(2,357)**	**(1,833)**

Treasury shares are shares in AVJennings Limited that are held by the AVJ Deferred Employee Share Plan Trust for the purpose of issuing shares to executives via the AVJ Deferred Employee Share Plan.

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

29. CONTRIBUTED EQUITY (continued)

(c) Capital Risk Management

When managing capital, management's objective is to ensure that the Consolidated Entity continues as a going concern. Management also aims to maintain an optimal capital structure that reduces the cost of capital.

In order to maintain or adjust the capital structure, management may change the amount of dividends paid to shareholders, offer a dividend reinvestment plan, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2014, no dividend was paid (2013: Nil).

Management monitors the capital mix through the debt to equity ratio (net debt/total equity) and the debt to total assets ratio (net debt/total assets). Based on continuing operations of the Consolidated Entity, these ratios are as follows:

	Consolidated	
	2014 $'000	2013 $'000
Interest-bearing loans and borrowings	85,583	89,891
Less: cash and cash equivalents	(4,796)	(11,649)
Net debt	80,787	78,242
Total equity	315,780	295,361
Total assets	471,288	462,903
Net debt to equity ratio	**25.6%**	**26.5%**
Net debt to total assets ratio	**17.1%**	**16.9%**

AVJennings Limited has complied with the financial covenants of its borrowing facilities during the 2014 and 2013 reporting periods.

30. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Note	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Total $'000
At 1 July 2012		**(257)**	**687**	**430**
Foreign currency translation		1,380	-	1,380
Share-based payment expense	36(a)	-	390	390
At 30 June 2013		**1,123**	**1,077**	**2,200**
Foreign currency translation		2,065	-	2,065
Share-based payment expense	36(a)	-	96	96
At 30 June 2014		**3,188**	**1,173**	**4,361**

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of subsidiaries which have functional currency different to the Australian dollar. Refer to note 2(aa).

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of shares issued to employees. Refer to note 2(r) for further details of the Plan.

(c) Retained earnings

	2014 $'000	2013 $'000
Movements in retained earnings were as follows:		
At the beginning of the year	132,201	147,467
Net profit/(loss) for the year	18,782	(15,266)
At the end of the year	**150,983**	**132,201**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2014

31. CASH FLOW STATEMENT RECONCILIATION

	2014 $'000	2013 $'000
Reconciliation of profit/(loss) after tax to net cash flows from operations		
Profit/(loss) after tax	18,782	(15,266)
Adjustments for:		
Depreciation	330	381
Net loss/(gain) on disposal of property, plant and equipment	28	(5)
Interest revenue classified as investing cash flow	(457)	(492)
Share of profits of associates and joint venture entities	(1,967)	(1,294)
Movement in provision for loss on inventories	(18,629)	16,275
Share-based payments expense	96	390
Fair value adjustment to derivatives	-	(187)
Change in operating assets and liabilities:		
Decrease in inventories	28,619	19,936
(Increase)/decrease in trade and other receivables	(23,563)	8,369
(Increase)/decrease in prepayments and deposits	(1,676)	901
Decrease/(increase) in deferred tax assets	3,087	(3,087)
Increase/(decrease) in deferred tax liability	4,041	(5,938)
Increase/(decrease) in current tax liability	(198)	449
Decrease in current tax assets	-	514
Decrease in trade and other payables	(10,695)	(21,069)
Increase in provisions	523	573
Net cash flows (used in)/from operating activities	**(1,679)**	**450**

32. COMMITMENTS

Operating lease commitments – Consolidated Entity as lessee

Operating leases include property, display homes, computer equipment leases and leases for motor vehicles provided under novated leases. Certain property leases include inflation escalation and market review clauses. No renewal or purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014 $'000	2013 $'000
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	2,092	1,679
After one year, but not more than five years	1,655	2,052
Total operating leases	**3,747**	**3,731**
Represented by:		
Non-cancellable operating leases	3,087	3,058
Cancellable operating leases	660	673
Total operating leases	**3,747**	**3,731**

33. CONTINGENCIES

Unsecured

Cross guarantees

The Parent Entity has entered into deeds of cross guarantee in respect of the debts of certain of its controlled entities as described in note 19.

Banking facilities

The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee the obligations of those entities in relation to the banking facilities. Details of these entities are set out in note 19.

Contract performance bond facility

The Parent Entity has entered into a Deed of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to the Contract performance bond facility. Details of these entities are set out in note 18. Contingent liabilities in respect of certain performance bonds, granted by the Consolidated Entity's financiers, in the normal course of business as at 30 June 2014, amounted to $12,140,000 (2013: $7,396,000). No liability is expected to arise.

Legal issues

From time to time a controlled entity defends actions served on it in respect of rectification of building faults and other issues. It is not practicable to estimate the amount, if any, which the entity could be liable for in this respect. The Directors anticipate that the resolution of any such matters currently outstanding will not have a material effect on the Consolidated Entity's results.

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Consolidated Entity bankers in the normal course of business to unrelated parties, at 30 June 2014, amounted to $7,445,000 (2013: $7,811,000). No liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Consolidated Entity's bankers to unrelated parties in the normal course of business at 30 June 2014, amounted to $8,367,000 (2013: $12,470,000). No liability is expected to arise.

34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

35. RELATED PARTY DISCLOSURES

(a) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Pte Ltd (incorporated in Singapore) is the ultimate parent entity.

(b) Share and share option transactions with Directors and Director-related entities

The aggregate number of shares and options held at the reporting date either directly or indirectly or beneficially by the Directors or by an entity related to those Directors of AVJennings Limited are as follows:

	Owned by Directors directly, or indirectly or beneficially	
	2014 Number	**2013 Number**
Fully paid ordinary shares	196,033,041	195,195,645

Directors and Director-related entities receive normal dividends on these ordinary shares.

(c) Entity with significant influence over AVJennings Limited

192,318,030 ordinary shares equating to 50.03% of the total ordinary shares on issue (2013: 192,318,030 and 50.03% respectively) were held by SC Global Developments Pte Ltd and its associates in the Parent Entity at 30 June 2014. Certain Directors of SC Global Developments Pte Ltd are also Directors of AVJennings Limited. Details of Directors' interests in the shares of the Parent Entity are set out in the *Directors' Report*.

(d) Parent Entity amounts receivable from and payable to controlled entities

At 30 June 2014, the Parent Entity has not set up any provisions against debts owed by related parties as recoverability is considered probable (2013: Nil). An impairment assessment is undertaken each financial year-end to determine whether there is objective evidence that a related party receivable is impaired. If evidence of impairment exists, the impairment loss is recognised immediately.

35. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	Note	2014 $	2013 $
Entity with significant influence over the Consolidated Entity:			
SC Global Developments Pte Ltd			
Consultancy fee paid/payable	(i)	600,000	600,000
Associate:			
Epping JV			
Management fee received/receivable		54,000	809,882
Joint Ventures:			
Eastwood JV			
Management fee received/receivable		2,481,692	2,219,741
Accounting services fee received/receivable		50,000	50,000
Cheltenham JV			
Accounting services fee received/receivable		72,000	72,000
Woodville JV			
Accounting services fee received/receivable		72,000	72,600

(i) Consultancy fees paid to SC Global Developments Pte Ltd of $600,000 (2013: $600,000).

(f) Joint ventures in which related entities in the Consolidated Entity are venturers

Joint ventures in which the Consolidated Entity has an interest are set out in note 16 and note 20.

(g) Outstanding balances arising from provision of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

	2014 $'000	2013 $'000
Current receivables		
Joint Ventures	2,812	2,497

(h) Loans from related party

	2014 $'000	2013 $'000
Loan received		
Joint Venture	2,600	2,600

35. RELATED PARTY DISCLOSURES (continued)

(i) Terms and conditions of transactions with related parties

Transactions with related parties are made at arm's length both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free, at call and settlement occurs in cash.

(j) Transactions with Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 7.

36. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

Total expenses arising from share-based payment transactions and disclosed as part of employee benefit expenses are shown in the table below:

	2014 $'000	**2013 $'000**
Expense arising from equity-settled share-based payment transactions	675	390
Expense reversed on forfeiture of shares relating to FY2011 grant	(579)	-
Total expense arising from share-based payment transactions	**96**	**390**

The share-based payment plan is described in note 36(b). There were no cancellations or modifications to the plan during the year.

(b) Type of share-based payment plan

AVJ Deferred Employee Share Plan

The AVJ Deferred Employee Share Plan (the LTI Plan) administers employee share schemes under which shares may be purchased on-market by the LTI Plan Trustee on behalf of employees. These shares vest to employees for no cash consideration subject to certain conditions being satisfied. Employees may elect not to participate in the scheme. Shares held by the LTI Plan's trustee and not yet allocated to employees at the end of the reporting period are shown as treasury shares in the Financial Statements.

Share-based compensation benefits are provided to executives via the Plan. These equity-settled transactions are measured at fair value at the grant date. The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value of the shares at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share-based payment reserve in equity. There is no non-recourse financing provided to executives in relation to any share-based payments.

Vesting is subject to both service and performance conditions. The service condition requires the executive to be employed by the Company as at 30 September in the third year after the grant date for each grant. The performance conditions apply to each grant – as to 50% as measured by the TSR hurdle and as to 50% by the EPS hurdle. The two performance hurdles are tested differently. The EPS hurdle is tested as at 30 June in the test year (three years after grant). The TSR hurdle is tested at 30 September of the third year after grant.

36. SHARE-BASED PAYMENT PLANS (continued)

The following allocations have been made under the LTI Plan:

FY2011 Grant
On 28 September 2010, 1,375,452 shares were granted to certain executives. As detailed in the table on page 18, these included 1,136,816 shares for KMP. The remaining shares were granted to executives who were not KMP. All unvested shares from this grant have been forfeited as the performance conditions were not achieved.

FY2012 Grant
On 5 September 2011, 1,695,735 shares were granted to certain executives. As detailed in the table on page 18, these included 1,454,555 shares for KMP. The remaining shares were granted to executives who were not KMP. A total of 124,383 shares from this grant have been forfeited as a result of executives' departure.

FY2013 Grant
An additional 513,168 shares were granted on 12 September 2012 to certain executives. As detailed in the table on page 18, these included 280,712 shares for KMP. The remaining shares were granted to executives who were not KMP.

FY2013 Delayed Grant
On 25 September 2013, 527,027 shares were granted to certain executives. As detailed in the table on page 18, these include 468,868 shares for KMP. The remaining shares were granted to executives who were not KMP.

This Delayed Grant was supposed to have been made about July 2012 in accordance with the usual operation of the LTI plan. In July 2012, the Remuneration Committee determined that trading conditions at the time warranted a deferral of the grant until a later time. The FY2013 grant was ultimately reconsidered in September 2013. The Remuneration Committee then considered that trading conditions and fairness to both executives and the Company warranted an allocation. However as the Company's share price had increased considerably since the original proposed allocation date (July 2012) it was impossible to determine an appropriate allocation amount under the current plan which did not prejudice either the Company or the executives. If the original number of shares to be allocated as proposed in July 2012 were granted, the cost to the Company would have been considerably more than originally contemplated. If the same allocation amount had been used as originally contemplated, executives would have received considerably fewer shares. As a reasonable compromise and recognising that staff retention was a critical factor for consideration, the Committee determined to grant a significantly reduced amount to each executive (approximately 35.5% of the proposed original allocation), and to make the grant subject only to service conditions as to 50% for one year to 30 September 2014 and as to 50% for two years to 30 September 2015.

FY2014 Grant
On 25 September 2013, 1,610,096 shares with a fair value of $849,326 were granted to certain executives. As detailed in the table on page 18, these include 1,356,279 shares for KMP. The remaining shares were granted to executives who were not KMP.

Except for the 2013 Delayed Grant which is only subject to a service condition (explained below), all shares are subject to both service and performance conditions and will vest to the extent that each of these conditions is satisfied.

The service vesting condition is that the employee must still be employed by AVJennings at 30 September 2013 (for the FY2011 grant), 30 September 2014 (for the FY2012 grant), 30 September 2015 (for the FY2013 grant) and 30 September 2016 (for the FY2014 grant). In the event of death or permanent disablement, the shares may vest to the estate at the Board's discretion. In the event that the employee is retrenched, the shares may vest subject to Board discretion. If the employee resigns (in certain circumstances) or is terminated, the unvested shares will be forfeited.

36. SHARE-BASED PAYMENT PLANS (continued)

The performance vesting conditions are:

- Total Shareholder Return (TSR) performance measured against the ASX Small Industrials Index; and
- Earnings Per Share (EPS) growth. AVJennings' EPS growth for the performance period must meet or exceed the target set. The EPS hurdle for total vesting for each grant is as follows:

  FY2011 grant - 10% p.a. growth for the three financial years to 30 June 2013
  FY2012 grant - 10% p.a. growth for the three financial years to 30 June 2014
  FY2013 grant - 10% p.a. growth for the three financial years to 30 June 2015
  FY2014 grant - 10% p.a. growth for the three financial years to 30 June 2016

Half of the allocation is assessed against each performance condition. The vesting schedule for the TSR performance condition is set out in the table below. The holder of the shares is entitled to receive all dividends paid between grant and vesting date.

The TSR hurdle was chosen as a performance measure as it provides a comparison against external performance. The comparator group against which performance is measured is the ASX Small Industrials Index. This peer group was chosen as the pool of listed pure residential developers was considered too small to provide a reliable and meaningful comparison group.

AVJennings' TSR rank against companies in the Index at 30 September	Percentage vesting
< median	Nil
At the median	50%
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
>=75th percentile	100%

The operation of the EPS hurdle is set out below.

AVJennings' EPS growth rate over the performance period	Percentage vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% – 10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

The fair value of the EPS element of the shares is the market value at grant date. The Monte Carlo Model is used to fair value the TSR element. The Model simulates AVJennings' TSR and compares it against the ASX Small Industrials Index. The Model takes into account historic dividends, share price volatilities and the risk-free yield on an Australian Government Bond at the grant date matching the remaining effective life of 3 years.

The EPS hurdle was chosen as it provides a measure over which executives have more direct control.

AVJennings

Directors' Declaration

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

1) In the opinion of the Directors:

   i) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including;

      a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

      b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;

   ii) the Consolidated Financial Statements and Notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and

   iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

3) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Consolidated Entity identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Simon Cheong
Director

Peter Summers
Director

26 September 2014

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Independent auditor's report to the shareholders of AVJennings Limited

Report on the financial report

We have audited the accompanying financial report of AVJennings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of AVJennings Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

    ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 10 to 22 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Mark Conroy
Partner
Sydney
26 September 2014

Corporate Governance Statement

For the year ended 30 June 2014

This Corporate Governance Statement indicates the Company's conformance with the Australian Securities Exchange's ("ASX") Corporate Governance Council's, "Corporate Governance Principles and Recommendations" (2^{nd} Edition), as required by the ASX Listing Rules.

The AVJennings Corporate Governance Statement is structured with reference to the ASX recommendations. Areas of non compliance will be disclosed under the relevant principle. All corporate practices within this report were in place for the entire year unless otherwise indicated. This Statement refers to documents that support the Company's Corporate Governance framework and it is posted in the Corporate Governance section on the Company's website: **www.avjennings.com.au**.

Principle 1:
Lay solid foundations for management and oversight by the Board

Recommendation 1.1 of the ASX Corporate Governance Principles requires the Company to establish and disclose the functions reserved for the Board and those delegated to management. The roles and responsibilities of the Company's Board, Board Committees and senior management have been established through Board approved Charters, which have been operational throughout the period and are disclosed on the Company's website at **www.avjennings.com.au**.

All persons who are invited and agree to act as a Director of the Company do so by a formal letter of consent.

To assist it in carrying out its responsibilities, the Board has established several standing Board Committees of its members. Director appointments to Board Committees are by formal resolutions of the Board. The Chairman of each Committee reports on any matters of substance at the next full Board Meeting. Membership of Board Committees and attendance at Board and Committee meetings is tabulated in the *Director's Report* section of this Report.

The Board Committees are:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investments Committee
- Risk Management Committee (incorporating the Occupational Health, Safety and Environment sub-committee)

The roles and responsibilities of the Chief Executive Officer and senior management are established through key performance objectives. They are assessed against those objectives on an annual basis, or more frequently if that is considered necessary.

The Remuneration Committee monitors the performance of the Chief Executive Officer. It also monitors the performance of the Chief Financial Officer and the Company Secretary in consultation with the Chief Executive Officer. The Chief Executive Officer assesses the performance of senior management and these assessments are reviewed by the Remuneration Committee. The process for evaluating the performance of senior executives is set out in the Remuneration Report section of this Report.

The Board has also approved financial delegations and personnel delegations which cover specific areas of delegated responsibility to the Managing Director and senior management.

During the period, the Board has considered broad Corporate Governance matters, including the continuing relevance of existing committees and its own performance and reaffirmed its belief that the Committee structures provided sound oversight of Management, by the Board.

Principle 2:
Structure the Board to add value

Directors
The Company's Constitution and Section 201A of the *Corporations Act 2001* stipulate that a public company must have at least three Directors.

The Board has adopted guidelines concerning its composition. For the time being, the Board has determined that there shall be at least five Directors, increasing where additional expertise is required. The current Directors of the Company are listed in the *Directors' Report* section of this Report with a brief description of their qualifications, experience, special responsibilities and status as Executive, Non-Executive or Independent Director.

The Board includes both Executive and Non-Executive Directors with a majority of Non-Executive Directors. The Non-Executive Directors include both independent and non-independent Directors. There is a strong element of independence on the Board, with four of the seven Non-Executive Directors being independent, determined in accordance with the ASX guidelines on independence. The other three Non-Executive Directors, who represent SC Global Developments Pte Ltd, a substantial shareholder, have no involvement in the operational management of the Company. The Managing Director is an Executive Director.

The Chairman of the Board is selected by the full Board. The current Chairman of the Board, Mr Simon Cheong, is also Chairman of the Board of a substantial shareholder, SC Global Developments Pte. Ltd.. Although there is no lead Independent Director as recommended by the ASX Principles, the Deputy Chairman, Mr Jerome Rowley, is an Independent Director. The roles of the Chairperson and Chief Executive Officer are exercised by different individuals.

The Board usually meets around six scheduled times a year either in person or by teleconference and additionally on an ad-hoc basis if required. Meeting venues are planned to enable Directors to familiarise themselves with major development projects. A formal agenda is in place for each meeting.

New Directors are inducted individually on the Company's financial, strategic, operational and risk management positions, the culture and values of the Company and meeting arrangements. Directors have access to Company records and information through the Company Secretary and other relevant senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time.

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required but this may not be unreasonably withheld. Any advice obtained is made available to the Chairman.

Nominations Committee
The Board has a Nominations Committee, comprising two Independent Directors, Mr R J Rowley, and Mr B G Hayman and two Non-Executive Directors, Mr S Cheong and Mrs E Sam, who is also Chairperson of the Committee. The Board is of the view that the Committee, which consists entirely of Non-Executive Directors, albeit without an independent majority or Chairperson, is structured appropriately to perform its functions.

The Nominations Committee Charter sets out its role, responsibilities, composition, structure, membership requirements and guidelines and is posted on the Corporate Governance section of the Company's website. The purpose of the Committee is to review and make recommendations to the Board on Board composition, to establish the criteria for Board and Board Committee membership and to evaluate Board performance and the performance of Directors.

The Nominations Committee assists the Board in identifying, evaluating and recommending candidates to the Board, having regard to the relevant skills, experience, personal attributes, diversity, availability and time commitments required of new Directors. The Committee may make use of external consultants if that is deemed appropriate.

The Committee meets at least annually.

A Board skills matrix has been developed and is used to assess the skills and experience available on the Board and to identify gaps in skills, if any. Development of strategy and policy, financial literacy, industry experience, banking and finance, risk management, compliance oversight, sales and commercial experience are some of the desirable skills identified and these are collectively available on the Board.

In November 2013, through the Nominations Committee, the Directors reviewed the performance of the whole Board and Board Committees. The review considered each director's expertise, skill and experience, along with their understanding of the company's business, preparation for meetings, relationships with other directors and management, awareness of ethical and governance issues, and overall contribution. The outcomes of the review were discussed and considered by all the Directors and the general conclusion was that the Board and each of the Board Committees were operating well. The Company had experienced a challenging year in rapidly improving market conditions and the Board had provided good oversight of management's actions and provided strategic direction to those activities. It was also considered that the respective committees had done likewise within their spheres of responsibility.

Details of Directors' experience and qualifications and attendance at Board and Committee Meetings are set out on pages 6 to 9 and page 23 of the *Directors' Report* section in this Report.

Company Secretary
The Board appoints the Company Secretary and all Directors have access to the Company Secretary. Details of the Company Secretary's experience and qualifications are set out in the *Directors' Report* section of this Report.

The role of the Company Secretary is to support the effectiveness of the Board by monitoring and advising the Board on its Corporate Governance responsibilities by means of its charters, procedures and updates on legislation and regulation. The Company Secretary is also responsible for lodgements with relevant regulators, management of dividend payments and/or Dividend Reinvestment Plan allotments and management of the relationship between shareholders and the share registry.

Principle 3:
Promote ethical and responsible decision making

Code of Conduct
The Company has a Code of Conduct which sets out the behaviour required of all Board members, senior management, employees and contractors throughout the period. The content of the Code is integrated into management practices and forms part of the terms of employment of all Company employees. The Code, which is disclosed on the Company's website, provides a mechanism for employees to report breaches of the Code without fear of retribution. Senior management deals with breaches of the Code and monitors compliance. The Company Secretary and the Chief Executive Officer report to the Board and the Audit Committee on various aspects of Code Compliance.

Dealing in AVJennings' shares
The Company's Securities Trading Policy places restrictions on the ability of Directors, officers and employees to trade in the Company's shares during specified restricted "black out" periods. The restrictions are designed to minimise the risk of actual or perceived insider trading.

Diversity

In accordance with the ASX recommendations, the Board has established a Diversity Policy and has set measurable objectives to achieve its goals on diversity. The Company's progress towards achieving these objectives, together with details of the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board, are shown on page 101 of this Report.

The Diversity Policy is available for viewing on the Company's website at **www.avjennings.com.au**.

Principle 4:
Safeguard integrity in financial reporting

Audit Committee
The Company has an Audit Committee comprising of three Independent Directors, Mr B Chin (who is a Chartered Accountant and is also the Chairman of the Committee), Mr R J Rowley, Mr Teck Poh Lai and one Non-Executive Director, Mrs E Sam. The Chairman of the Committee is a different individual to the Chairman of the Board. The Audit Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Corporate Governance section of Company's website.

All other members of the Board are invited to attend Audit Committee meetings as observers and in a non voting capacity. Usually, all Board members attend all Audit Committee meetings either as members or observers. The Audit Committee papers, including the minutes of the previous Committee Meetings, are sent to all Board members.

The Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Auditor and the External Auditor attend Audit Committee meetings at the discretion of the Committee. The Committee also meets privately with the External Auditor at least once a year and usually twice per year, without management being present. In addition, the Internal Auditor reports directly to the Audit Committee and the Committee meets privately with the Internal Auditor at least once per year.

The Minutes of each Committee meeting are circulated after the meeting and the signed minutes tabled at the subsequent meeting of the Committee. The Chairman of the Committee is available to report on or answer questions about the Committee's conclusions and recommendations to the Board. The Committee meets at least three times during the year.

Audit Governance
The Company has a policy on the provision of auditing and related services. The Committee is satisfied with the independence of the External Auditor.

During the reporting period, the Company had its 2013 Annual Report and Audit Committee Charter posted on its website. The Annual Report has details of the Audit Committee's membership and the number of meetings held and attended.

Financial Reporting
The Board receives regular reports about the financial condition and operational results of the Company throughout the year. In relation to the half year and annual Financial Statements, Senior Management is required to sign off on the systems and processes within their area of responsibility. This procedure supports the Managing Director and Chief Financial Officer in their certification to the Board in effect stating that the Company's accounts present a true and fair view, in all material aspects, of the Company's financial condition and operational results and accord with the relevant accounting standards.

Principle 5:
Make timely and balanced disclosure

A continuous disclosure regime operates throughout the Group. The Company has in place a formal disclosure policy, contained within the Shareholder Communication Policy, to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX and Singapore Exchange (SGX) in a timely manner. This policy has been formally communicated to all relevant staff. The Company Secretary is the nominated Continuous Disclosure Officer. The Board is advised of any notifiable events. The Board approves, or is advised of, all releases that are made to the ASX and the SGX. All announcements made by the Company are posted on the Company's website in the "Shareholder" section.

The policy addresses:

- Compliance with continuous disclosure obligations;
- Maintenance of confidentiality where appropriate;
- Timely and factual release of information where appropriate;
- Clarity and balance in reporting;
- Equal and timely access to information.

Principle 6:
Respect the rights of Shareholders

The Company endeavours to keep its Shareholders fully informed of matters likely to be of interest to them. The Shareholder Communication Policy outlines the process through which the Company will endeavour to ensure timely and accurate information is provided equally to all shareholders. Information is communicated to shareholders through:

- Reports to the ASX, SGX and the press;
- Half and full year profit announcements;
- Annual Reports;
- Investor briefings and information provided to analysts, (which are released to the ASX and SGX prior to being provided to the analysts);

- Continuous disclosure to the ASX pursuant to the ASX Listing Rules and notification of the same information to the SGX; and
- Posting all the above and any other notifications made by the Company to Shareholders, on its website.

The Company's website – **www.avjennings.com.au** has a section titled "Shareholders" with sub sections on:

- The Company's previous Annual Financial Reports and Half Yearly Reports;
- The Company's share price on the ASX- provided by a link to the ASX web site;
- Announcements made to the ASX and SGX;
- Copies of investor presentations;
- Corporate Governance Charters and Policies including a Shareholder Communication Policy;
- Terms and conditions of the Company's Dividend Reinvestment Plan; and
- Media releases.

All shareholders are encouraged to attend AVJennings' AGM in person or participate by sending a proxy as their representative. At the Annual General Meeting, the Chairman encourages questions and comments from Shareholders and seeks to ensure the Meeting is managed to give the maximum number of Shareholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Chief Executive Officer or another appropriate member of senior management.

The External Auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Principle 7:
Recognise and manage risk

The Board has ultimate responsibility for risk management, compliance and control functions across the Group. These functions are aligned with the Company's strategy and business objectives.

The Company has in place internal controls intended to identify and manage significant business risks. These include the review of development proposals and the management of their ongoing performance. Management prepares the Risk Management Plan and the Board is responsible for reviewing and approving it.

The Board has established a Risk Management Committee, which incorporates a sub-committee responsible for occupational health, safety and environmental matters. The Committee comprises two Independent Directors Mr R J Rowley (Chairman) and Mr B G Hayman and generally meets quarterly. The Committee is supported by the Chief Executive Officer, Chief Financial Officer and the Company Secretary. The Risk Management Committee is responsible for identifying and considering new risks and for monitoring management's implementation of the Risk Management Plan, taking the Internal Auditor's review into account.

The Company's assets and main potential liabilities are insured under a comprehensive insurance program which is reviewed annually.

The Company also has an Investments Committee comprising two Non-Executive Directors, Mr S Cheong and Mr D Tsang and two Independent Directors, Mr B G Hayman and Mr R J Rowley. The Committee considers all major land development acquisition and disposal proposals that are over monetary limits delegated to management. It also conducts a pre-commencement review and ongoing project reviews during the life of all development projects.

The Chief Executive Officer and the Chief Financial Officer are required to provide the Board with a written statement in accordance with section 295A of the *Corporations Act* and the ASX Corporate Governance Principle 7 to the effect that:

- The integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

- The Company's risk management and internal compliance and control system, in so far as it relates to financial risk, is operating efficiently and effectively in all material respects.

Principle 8:
Remunerate fairly and responsibly

The Board has established a Remuneration Committee to review and determine, among other things, remuneration policies and packages applicable to any Executive Directors, the Company Secretary and direct reports to the CEO. It also reviews remuneration to senior managers of the Company and the remuneration policies of the Company. The Committee meets at least annually and usually twice per year and its Charter is available on the Company's website under the Corporate Governance Section.

The Committee consists of two Non-Executive Directors, Mrs E Sam (Chairperson) and Mr S Cheong, and two Independent Directors, Mr B G Hayman and Mr Teck Poh Lai. The Board is of the view that the Committee, which consists entirely of Non Executive Directors, albeit without an independent majority or Chairperson, is structured appropriately to perform its functions in reviewing the remuneration of Company executives and staff.

The Committee reviews and reports to the Board on:

- Conditions of service and remuneration of the Chief Executive Officer and his direct reports;
- Performance of the Chief Executive Officer;
- Remuneration of the Chief Financial Officer and the Company Secretary;
- Remuneration policies for the Company, which include the performance review of all employees, senior management and Board members;
- Proposals for reward initiatives;
- Succession plans for senior management; and
- Other related matters as directed by the Board.

The Chief Executive Officer attends meetings of the Remuneration Committee by invitation when required to report on, and discuss, senior management performance and remuneration matters. He is excluded from Committee deliberations relating to his position.

The Committee is empowered to seek external professional advice on any matter within its terms of reference.

Senior managers of the Company receive a balance of fixed and variable (at risk) remuneration. The proportions vary at different levels within the Company, reflecting the capacity of the senior managers to influence the overall outcome of the Company's operations and returns to Shareholders. The bonuses (if any) to executives are based on a review of individual executive performance as well as the Company's overall financial performance.

Director's fees paid to Non-Executive Directors and Independent Non-Executive Directors are determined by the Board, and are within the aggregate limits approved by Shareholders. The Independent Non-Executive Directors currently receive fees paid by the Company. The Committee has available to it data on fees paid to independent directors by a wide range of Companies. The remaining two Non-Executive Directors do not receive fees, however the Company pays a consulting fee to the substantial Shareholder, SC Global Developments Pte Ltd.

AVJennings' Remuneration Report is set out on pages 10 to 22 of the *Directors' report* section in this Report.

AVJennings Limited
2014 Diversity Annual Report

This Diversity Annual Report of AVJennings Limited ("AVJennings") is issued in compliance with ASX Corporate Governance Council Principles and Recommendations.

Approach to Diversity

AVJennings aims to embed equity and diversity principles in its work practices and organisational environment. To ensure that these practices remain appropriate and foster an inclusive environment, AVJennings annually reviews its workforce diversity profile, its policies and any relevant external developments.

To enhance efficiency and productivity, employment decisions such as selection, promotion and training are made based on merit rather than personal attributes (gender, race, marital status, age and other characteristics (which can vary based on the jurisdiction)). AVJennings also actively takes steps to eliminate discriminatory behaviour and harassment in the work place.

Responsibility for Diversity

Employees at all levels of employment are responsible for the creation and implementation of a diverse, inclusive and tolerant workplace, and for elimination of discriminatory practices.

The Board is responsible for monitoring the development and implementation of diversity initiatives, policies and practices. The Board reports annually on these matters.

Diversity Targets

This report reflects AVJennings' focus during the reporting period on the reporting on gender diversity as required under the ASX Corporate Governance Council Principles and Recommendations.

Measurable Objective		Progress	Response
1.	At least one female Board Director	⇧	One (1) female Board Director of eight (8) as at the reporting date.
2.	At least one female Executive Committee Member	⇧	Three (3) female Executive Committee Members of ten (10), including the CEO, as at the reporting date.
3.	Non-Discriminatory Recruitment	⇧	The Company's Recruitment, Selection and Appointment to Role policies reflect our position on diversity. All recruitment, internal and external, identifies that AVJennings is an Equal Opportunity Employer.
4.	Non-Discriminatory Selection	⇧	Selection is based on merit and the recruitment process requires that the Selection Advisory Committee (Interview Panel) comprise both genders. External recruitment suppliers, where applicable, are requested to provide a balanced short list. During the reporting period, 34% of all new hires were female.

Measurable Objective		Progress	Response
5.	Data Collection		Diversity information is sought from employees when they commence employment. It is provided on a voluntary basis and includes information on disability, ethnic origin and proficiency in languages other than English. The diversity statistics are based primarily on this data. During the reporting period, all employees had the opportunity to review and update their profile. Data collection is an ongoing process. Data that is collected is reviewed and action taken as appropriate. During the reporting period, with a focus on gender diversity, female participation was reviewed across the different job families in the business, pay equity and female attrition rates.
6.	EOWA Reporting		2014 report submitted to EOWA was reviewed by the Board. . Women accounted for 39.3% of employees as at 31 March 2014.
7.	No Cultural Impediments		No impediments identified during reporting period.

KEY: met or above target on track to meet target below target

As at 30 June 2014, women accounted for 38% of total current permanent employees and the proportion of women at various levels of the Company was:

Level and Role

Non-executive Director	14%
Executive Team	30%
Company	38%