AVJennings Limited
ABN: 44 004 327 771

Annual Financial Report
30 June 2015

Contents

Directors' Report

Your Directors present their Annual Financial Report ("Report") on the Group (referred to hereafter as "AVJennings" 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 2015.

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)

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 Group during the year was Residential Development.

OPERATING RESULTS

The consolidated profit after tax for the financial year was $34.4 million (2014: $18.8 million).

DIVIDENDS

Dividends paid to members during the financial year were as follows:

	2015 $'000	2014 $'000
2014 final dividend of 2.0 cents per share, paid 18 September 2014. Fully franked @ 30% tax	7,688	-
2015 interim dividend of 1.0 cent per share, paid 8 April 2015. Fully franked @ 30% tax	3,844	-
Total cash dividends declared and paid	**11,532**	**-**

In addition to the above, subsequent to the end of the financial year, a fully franked final dividend of 3.0 cents per share was paid on 23 September 2015 (2014: 2.0 cents). The Dividend Reinvestment Plan remains suspended.

Directors' Report

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company recorded profit before tax of $48.2 million for the year ended 30 June 2015, up 78.3% on the previous year (30 June 2014: $27.0 million profit before tax) and profit after tax of $34.4 million (30 June 2014: $18.8 million).

Strong revenues in the second half of fiscal 2015, substantial post balance date cash inflows from the collection of receivables and confidence in the outlook for fiscal 2016 have enabled the Directors to declare that a fully franked final dividend of 3 cents per share be paid in September 2015, taking total dividends declared for 2015 to 4 cents per share. The Directors have also determined that it is appropriate for the Company to target an annual dividend payout range of 40-50% of profit after tax for future years.

Contract signings of 1,737 lots were well up on last year (1,415 lots) as too were settlements, which rose 22.6% to 1,538 lots, driving full year revenue up 26.9% to $317.9 million (30 June 2014: $250.6 million). Settlements included the recognition of revenue from 418 lots (worth $74.6 million) sold across most jurisdictions during the year on extended terms to builders (which Management regards as a positive signpost to a sustainable market).

Business Overview

The result reflects accelerated production, higher sales and gross margins and more settlements in most jurisdictions. Standout contributors were New South Wales, Queensland and New Zealand all of which benefitted from the net positive effect of active project and product mix changes that enabled the Company to capitalise on the underlying strength of each market. Significant contributions from individual projects were made by 'Arcadian Hills', 'Argyle', 'Cavanstone' and 'The Ponds' in Sydney and 'Magnolia' on the Central Coast of New South Wales; 'Big Sky', 'Creekwood', 'Nottingham Square' and 'Elysium' in Queensland and 'Catalina' Hobsonville Point in Auckland, New Zealand.

The Company actively replenished inventory during the year, which saw controlled land rise 10.6% on the prior year to 10,198 lots at balance date despite the significant increase in sales. Acquisitions included:

- the remaining 50% of the St Clair South Australia joint venture;
- a land parcel at Cobbitty, New South Wales (approximately 203 lots);
- three equity stakes in residential projects in Perth, Western Australia (estimated 228 lots);
- 'Waterline', Waterline Place, Williamstown ,Victoria (up to 691 lots);
- 50 hectares of land at Warnervale Rd, Warnervale Central Coast, New South Wales (estimated 595 lots); and
- a land parcel at Boundary Rd, Schofields New South Wales (approximately 21 lots)

During the year the Company also contracted a significant joint venture with AustralianSuper for the development of approximately 2,000 lots in Wollert, Victoria and with Investa for Argyle at Elderslie, New South Wales.

Several corporate combinations were actively pursued during the year, however terms could not be agreed at a level where the Company was confident of value and other transactions will be explored as opportunities arise.

Directors' Report

OPERATING AND FINANCIAL REVIEW (continued)

Gearing remains low (net debt/ total assets is down to 13.6%) and the Company has further diversified and increased its sources of funding by successfully expanding and restructuring its core banking facilities, lifting its core banking group from three to four banks and increasing the total 'Club' facility limit to $250 million (previously $175 million). In addition, the Company successfully established a Singapore dollar medium term note programme with a capacity of SGD500 million. Although no notes have yet been issued under the programme, the ability to tap an international capital market to raise corporate debt gives the Company considerable additional scope to pursue suitable accretive corporate and large direct property acquisitions as opportunities arise.

Outlook

The Directors and management of AVJennings believe that the level of activity currently experienced in many of our markets is the product of strong fundamentals rather than speculative exuberance. While specific micro-markets (particularly some inner-suburbs of Sydney and Melbourne) are experiencing strong price growth, this is generally not the case in most of the Company's markets, where price growth is more muted. Affordable housing and sustainable communities matter to AVJennings and the underlying strength of our markets is demonstrated by escalation in the number of contract signings and settlements, which are a function of our commitment to delivering good quality homes at affordable prices.

Sydney is still the most active market in the country, driven by pent-up demand and inadequate land supply. The significant 'Arcadian Hills', Cobbitty and 'Argyle', Elderslie projects are both strong contributors to profit, generating good margins with new stages at each underway. Good selling prices are being achieved at 'Magnolia', Hamlyn Terrace on the Central Coast and current and projected market activity in the area augurs well for future stages of this project as well as for the new complementary project located in nearby Warnervale.

Market activity and selling prices continue to firm-up in Brisbane, Noosa, Caloundra and Coomera. Work at the 'Elysium' Noosa project is finished and the stock almost sold out. 'Creekwood' Caloundra is performing strongly, with demand buoyed by new infrastructure investment (including a major new general hospital) in the Sunshine Coast catchment. Sales activity at 'Big Sky' Coomera has improved considerably.

The Melbourne residential land market is strengthening but demand and supply remain balanced. Future results will be enhanced by development of the Company's new flagship apartment project 'Waterline', located in the Melbourne bayside suburb of Williamstown and the Wollert joint venture development being undertaken with AustralianSuper. Waterline is an exciting project that will showcase the ongoing evolution of AVJennings' architectural design language and expose the Company to a different type of buyer, as well as rejuvenate a former industrial site in one of Melbourne's most historic and picturesque areas. The Wollert joint venture affords the Company an opportunity to partner with a high profile sponsor in AustralianSuper and continue to deliver affordable land and housing in Melbourne's north.

Auckland is a strong market and the high quality, master-planned Hobsonville Point project continues to experience significant demand with excellent sales and margins being generated, leading the Company to explore additional opportunities in that market.

The South Australian residential market remains stable but subdued overall, with earnings buoyed by the now wholly owned 'St Clair' project. The Company's relatively small investment in four residential projects in Perth, Western Australia is performing in line with expectations.

Key economic drivers are positive, with strong consumer confidence to transact in housing bolstered by low interest rates and inflation, positive population growth and continuing housing shortages in Sydney and Auckland. The level of contracts carried over into the first half of fiscal 2016 will give a strong start, notwithstanding the usual bias of results towards the latter part of the year due to seasonality and production staging. The Directors believe that it is appropriate to provide contract signings guidance for the year ending 30 June 2016 in the range of 1,800 to 2,100 lots.

Directors' Report

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The prospects and business strategies of the Group are discussed on page 5 of this Report.

ENVIRONMENTAL REGULATION

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Group'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 Group is subject.

Directors' Report

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 optimization. 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 Ltd 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

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.

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 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

INFORMATION ON THE DIRECTORS (continued)

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has over 46 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 now known as AUSTCHAM Singapore. 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 a Director of Diabetes 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, Member of Investments 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.

Directors' Report

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 senior 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 to 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 Audit Committee, 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.

Directors' Report

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)

(ii) Executives

KMP Executive Committee Members

A Soutar	State General Manager NSW - Ceased employment 30 June 2015
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 both the short term and long term incentive plans. 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

Remuneration consultants were last engaged in January 2013 to provide remuneration recommendations as defined in Section 9B of the *Corporations Act 2001*.

No remuneration recommendation was made by a remuneration consultant in respect of the Company during the year ended 30 June 2015.

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.

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.

REMUNERATION REPORT (Audited) (continued)

2.3 Non-Executive Director Remuneration Arrangements (continued)

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 director 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 2015 and 30 June 2014 is detailed on page 22 of this Report.

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 includes a mix of fixed and variable remuneration (which covers short term performance, long term performance and retention).

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 on pages 22 and 23.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

ii) Variable Remuneration

Variable remuneration is split into three categories: short term, long term and retention.

A) 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 2015 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 35% of TEC and other Executives have a STI opportunity of between 17% 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).

Allocation of Overall Performance Incentive between Components (shown as % of TEC)

	Total At Risk (%)	STI (%)	LTI (%)	Retention (%)
CEO	100	35	40	25
Senior Executives	33	17	8	8
State General Managers	50	30	10	10

The proportions of STI, LTI and retention components 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.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

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

		CEO	Senior Executives	State General Managers
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 the extent to which 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.

Based on achievements of the Group this year and performance against individual KPIs, the Remuneration Committee determined that Executives had achieved between 65% and 100% of their target opportunity (average 82%). In making this assessment, the Committee considered the following factors:

- Performance in the prevailing market.
- 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.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

B) 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.

LTI and retention (current year)

From FY15, share-based remuneration will be provided by the Issue of Rights. The LTI arrangements were varied by the Board for the FY15 year to improve the efficiency of the scheme, reduce the costs to the Company, increase the value to executives, achieve the retention objective and drive performance. The variations consisted of:

(a) Changing from a share grant scheme to a rights based scheme, thus avoiding the upfront cash outflow associated with the acquisition of shares for each grant. Shares are only now acquired when the rights vest. A rights scheme also means executives do not receive dividends on the rights (as is the case under the former share scheme).

(b) Re-weighting of short term performance, long term performance and retention by introducing a retention component aligned to long term retention (with service conditions only) which will vest over a three year period.

(c) Changing the Total Shareholder Return (TSR) hurdle of the LTI component to a Return on Equity (ROE) hurdle based on return on market capitalisation. From a shareholders' perspective, market capitalisation is seen as an appropriate proxy for equity. The ROE hurdle operates such that 50% vesting occurs at an average annual return of 12% with 100% vesting at an average annual return of 18%. The EPS hurdle remains unchanged and is consistent with the previous years' LTI awards structure explained under LTI (previous years) below. The performance conditions will be tested at the end of the three year vesting period and the number of rights that may vest will depend on the level of average annual returns achieved over that period. The CEO's participation was determined as 40% (LTI) and 25% (Retention component) of TEC respectively.

The operation of the EPS hurdle is set out below.

AVJennings' EPS growth rate over the performance period	Percentage of rights 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 operation of the ROE hurdle is set out below.

AVJennings' ROE over the performance period	Percentage of rights vesting
<12%	Nil
12%	50%
12% - 18%	Pro-rata between 50% and 100%
>=18%	100%

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The operation of the retention hurdle is set out below.

Retention component - years of service	Percentage of rights vesting
one year	33.33%
two years	33.33%
three years	33.34%

On 29 May 2015, rights were granted to KMP as detailed in the table on page 19.

LTI Awards (previous years)

Share-based remuneration:

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 remuneration 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, except for the FY2013 delayed grant which is only subject to the service condition (see below). 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 is the status of allocations made to KMP under the LTI Plan:

<u>FY2012 Grant</u>
On 5 September 2011, shares were granted to KMP as detailed in the table on page 19. Of the shares relating to the TSR portion, 58% vested during the year. The rest of the shares were forfeited.

<u>FY2013 Grant</u>
On 12 September 2012, shares were granted to KMP as detailed in the table on page 19.

<u>FY2013 Delayed Grant</u>
On 25 September 2013, shares were granted to KMP as detailed in the table on page 19. The grant is subject only to service conditions as to 50% for one year to 30 September 2014, which have vested during the year, and as to 50% for two years to 30 September 2015.

<u>FY2014 Grant</u>
On 25 September 2013, shares were granted to KMP as detailed in the table on page 19.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The service vesting condition is that the employee must still be employed by AVJennings at 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:

  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 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

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The following is the status of shares granted to KMP under the previous years' LTI Plan:

	Shares Granted			Movement of Number of Shares Granted			
Name	**Grant**	**Number**	**Fair Value**	**Unvested at 1 July 2014**	**Forfeited during the year**	**Vested during the year**	**Unvested at 30 June 2015**
KMP Executive Members							
PK Summers	**FY2012**	884,891	$ 311,924	884,891	(628,273)	(256,618)	-
PK Summers	**FY2013-D**	285,241	$ 166,866	285,241	-	(142,621)	142,620
PK Summers	**FY2014**	666,349	$ 351,499	666,349	-	-	666,349
A Soutar	**FY2013**	280,712	$ 74,389	280,712	-	-	280,712
A Soutar	**FY2014**	147,682	$ 77,902	147,682	-	-	147,682
L Mahaffy	**FY2014**	107,957	$ 56,947	107,957	-	-	107,957
SC Orlandi	**FY2012**	131,094	$ 46,211	131,094	(93,077)	(38,017)	-
SC Orlandi	**FY2013-D**	42,257	$ 24,720	42,257	-	(21,129)	21,128
SC Orlandi	**FY2014**	95,558	$ 50,407	95,558	-	-	95,558
CD Thompson	**FY2012**	135,861	$ 47,891	135,861	(96,462)	(39,399)	-
CD Thompson	**FY2013-D**	43,794	$ 25,619	43,794	-	(21,897)	21,897
CD Thompson	**FY2014**	118,078	$ 62,286	118,078	-	-	118,078
L Hunt	**FY2012**	100,108	$ 35,288	100,108	(71,077)	(29,031)	-
L Hunt	**FY2013-D**	32,269	$ 18,877	32,269	-	(16,135)	16,134
L Hunt	**FY2014**	72,973	$ 38,493	72,973	-	-	72,973
Total		**3,144,824**	**$1,389,319**	**3,144,824**	**(888,889)**	**(564,847)**	**1,691,088**

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

The following is the status of rights granted to KMP under the restructured share-based remuneration.

FY2015 Grant	Rights Granted		Movement of Number of Rights Granted		
Name	**Grant**	**Number**	**Unvested at 1 July 2014**	**Vested during the year**	**Unvested at 30 June 2015**
PK Summers	**FY2015**	665,068	-	-	665,068
A Soutar	**FY2015**	92,236	-	-	92,236
L Mahaffy	**FY2015**	79,812	-	-	79,812
SC Orlandi	**FY2015**	70,646	-	-	70,646
CD Thompson	**FY2015**	87,296	-	-	87,296
L Hunt	**FY2015**	53,946	-	-	53,946
Total		**1,049,004**	**-**	-	**1,049,004**

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 Group's earnings performance as well as the movement in the Group's Earnings per Share (EPS) and Total Shareholder Return (TSR) over the current and previous 4 years.

Financial Report Date	Profit / (Loss) After Tax $'000	Basic EPS Cents	TSR Cents
30 June 2011	12,893	4.72	4.5
30 June 2012	(29,828)	(10.99)	(15.0)
30 June 2013	(15,266)	(5.46)	14.0
30 June 2014	18,782	4.94	13.0
30 June 2015	34,385	9.03	10.5

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 22.

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 Group

Details of the nature and amount of each element of remuneration of Directors and executives are set out in the tables on pages 22 and 23. 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 Group, including their personally related parties, are set out on page 21.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

	Opening Balance	Vested as Remuneration	Closing Balance
For the year ended 30 June 2015			
Directors			
S Cheong	192,318,030	-	**192,318,030**
E Sam	209,349	-	**209,349**
PK Summers	2,416,266	399,239	**2,815,505**
RJ Rowley	252,000	-	**252,000**
D Tsang	837,396	-	**837,396**
Executives			
A Soutar	212,131	-	**212,131**
L Mahaffy	19,967	-	**19,967**
SC Orlandi	143,337	59,146	**202,483**
CD Thompson	823,152	61,296	**884,448**
L Hunt	41,916	45,166	**87,082**
Total	**197,273,544**	**564,847**	**197,838,391**
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(1)	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**

(1) Appointed 2 June 2014.

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.

Directors' Report

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 [4]**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
30 June 2015								
S Cheong[1]	-	-	-	-	-	-	**-**	**-**
RJ Rowley	77,626	-	-	7,374	-	-	**85,000**	**-**
PK Summers[2]	463,984	188,396	77,595	18,783	25,054	17,996	**791,808**	**18.20**
E Sam[1]	-	-	-	-	-	-	**-**	**-**
B Chin	60,000	-	-	-	-	-	**60,000**	**-**
BG Hayman	45,662	-	-	4,338	-	-	**50,000**	**-**
TP Lai	50,000	-	-	-	-	-	**50,000**	**-**
D Tsang [1]	-	-	-	-	-	-	**-**	**-**
	697,272	**188,396**	**77,595**	**30,495**	**25,054**	**17,996**	**1,036,808**	
30 June 2014								
S Cheong[1]	-	-	-	-	-	-	**-**	**-**
RJ Rowley	77,803	-	-	7,197	-	-	**85,000**	**-**
PK Summers[2]	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**	

(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 Group does not contribute to any Defined Benefit Plans.
(4) Includes a reversal of $183,615 (2014: $181,543) relating to shares 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 remuneration for the Chief Executive referred to in 2.4(ii), there were no other share-based payments made to Directors in the year under review.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

Executives	**Short-Term**			**Post Employment**	**Long-Term**	**Share-Based**	**Total**	**Performance Related**
	Salary / Fees	**Cash Bonus**	**Other**	**Superannuation** [1]	**Long Service Leave**	**Shares**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
30 June 2015								
A Soutar[4]	354,351	71,020	-	34,783	5,672	49,392	**515,218**	**23.37**
L Mahaffy	324,394	36,599	-	18,783	4,194	18,469	**402,439**	**13.68**
SC Orlandi[2]	300,397	44,856	-	18,783	9,128	2,125	**375,289**	**10.06**
CD Thompson[2]	356,462	61,585	-	18,783	11,411	5,461	**453,702**	**12.67**
L Hunt[2]	209,519	28,545	-	18,783	6,274	1,623	**264,744**	**8.73**
	1,545,123	**242,605**	**-**	**109,915**	**36,679**	**77,070**	**2,011,392**	
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[3]	284,820	21,775	-	17,775	11,633	19,509	**355,512**	**7.69**
CD Thompson[3]	342,600	35,875	-	17,775	11,203	22,934	**430,387**	**10.31**
L Hunt[3]	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**	

(1) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Group does not contribute to any Defined Benefit Plans.
(2) 'Shares' include reversals of $27,202 for SC Orlandi, $28,191 for CD Thompson and $20,772 for L Hunt relating to shares from the FY2012 Grant that did not vest.
(3) 'Shares' include reversals of $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.
(4) Ceased employment 30 June 2015.
(5) Ceased employment 11 July 2014.

Directors' Report

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	-	-	1	1	1	1	-	-
RJ Rowley	4	4	3	3	-	-	1	1	1	1
PK Summers	4	4	-	-	-	-	-	-	-	-
E Sam(1)	4	4	3	1	1	1	1	1	-	-
B Chin	4	4	3	3	-	-	-	-	-	-
BG Hayman	4	4	-	-	1	1	1	1	1	1
TP Lai	4	4	3	3	1	1	-	-	-	-
D Tsang(2)	4	4	3	2	-	-	-	-	-	-

(1) Retired from the Audit Committee effective 19 November 2014.
(2) Appointed to the Audit Committee effective 19 November 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*	2,815,505
RJ Rowley	252,000
D Tsang	837,396

*Does not include unvested shares under the AVJ Deferred Employee Share Plan. Refer to page 19.

INDEMNIFYING OFFICERS

During the year, the Group 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 Group. 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

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 applicable 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 26.

NON-AUDIT SERVICES

A number of non-audit services were provided by the Group's auditor, Ernst & Young. These non-audit services are detailed in note 29 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

28 September 2015

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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 2015, 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
28 September 2015

Consolidated Statement of Comprehensive Income

	Note	2015 $'000	2014 $'000
Revenues	2	317,903	250,570
Share of profits of associates and joint venture entities accounted for using the equity method	24(b)	1,569	1,967
Cost of property developments sold		(232,641)	(195,656)
Provision for loss on inventories	2	3,720	5,154
Other operational expenses		(4,953)	(3,948)
Selling and marketing expenses		(7,126)	(6,005)
Employee benefits expenses	2	(20,402)	(17,189)
Depreciation expense	2	(300)	(330)
Finance costs	2	(863)	(457)
Management and administration expenses		(8,736)	(7,093)
Profit before income tax		**48,171**	**27,013**
Income tax	3	(13,786)	(8,231)
Profit after income tax		**34,385**	**18,782**
Other comprehensive income			
Foreign currency translation		(1,397)	2,065
Other comprehensive (loss)/income for the year		**(1,397)**	**2,065**
Total comprehensive income for the year		**32,988**	**20,847**

Earnings per share for profit attributable to ordinary equity holders of the parent:		**Cents**	**Cents**
Basic earnings per share	30	9.03	4.94
Diluted earnings per share	30	9.03	4.94

Consolidated Statement of Financial Position

	Note	2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	37,812	4,796
Trade and other receivables	5	69,364	44,557
Inventories	6	204,942	168,019
Tax receivable		143	-
Other current assets	7	2,060	1,387
Total current assets		**314,321**	**218,759**
NON-CURRENT ASSETS			
Trade and other receivables	5	12,818	6,159
Inventories	6	312,007	212,804
Investments accounted for using the equity method	24	10,667	27,108
Available-for-sale financial asset	8	2,880	3,000
Plant and equipment	9	605	642
Intangible assets	10	2,816	2,816
Total non-current assets		**341,793**	**252,529**
Total assets		**656,114**	**471,288**
CURRENT LIABILITIES			
Trade and other payables	11	117,461	46,823
Interest-bearing loans and borrowings	12	3,008	4,083
Tax payable	13	-	251
Provisions	15	5,510	4,706
Total current liabilities		**125,979**	**55,863**
NON-CURRENT LIABILITIES			
Trade and other payables	11	51,556	13,406
Interest-bearing loans and borrowings	12	123,716	81,500
Deferred tax liabilities	14	16,775	4,041
Provisions	15	742	698
Total non-current liabilities		**192,789**	**99,645**
Total liabilities		**318,768**	**155,508**
Net assets		**337,346**	**315,780**
EQUITY			
Contributed equity	16	160,436	160,436
Reserves	17(a)	3,074	4,361
Retained earnings	17(c)	173,836	150,983
Total equity		**337,346**	**315,780**

Consolidated Statement of Changes in Equity

		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 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	16(b)	(524)	-	-	-	(524)
- Share-based payment expense reversed (forfeited shares)	28(a)	-	-	(579)	-	(579)
- Share-based payment expense	28(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**
Profit for the year		-	-	-	34,385	34,385
Other comprehensive loss for the year		-	(1,397)	-	-	(1,397)
Total comprehensive income for the year		-	(1,397)	-	34,385	32,988
Transactions with owners in their capacity as owners						
- Share-based payment expense reversed (forfeited shares)	28(a)	-	-	(326)	-	(326)
- Share-based payment expense	28(a)	-	-	436	-	436
- Dividends paid	18	-	-	-	(11,532)	(11,532)
		-	(1,397)	110	22,853	21,566
At 30 June 2015		**160,436**	**1,791**	**1,283**	**173,836**	**337,346**

Consolidated Statement of Cash Flows

	Note	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		317,278	251,561
Payments to suppliers, land vendors and employees		(320,115)	(242,446)
Interest paid	2	(10,396)	(9,349)
Income tax paid		(1,127)	(1,445)
Net cash used in operating activities	19	**(14,360)**	**(1,679)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		8	70
Purchase of plant and equipment	9	(274)	(76)
Interest received	2	863	457
Distributions received from associates and joint venture entities		18,750	40
Dividends received from joint venture entity		5,350	-
Payment for available-for-sale financial asset		(1,380)	(1,500)
Investments in associates and joint venture entities	24(b)	(6,091)	-
Net cash from / (used in) investing activities		**17,226**	**(1,009)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		240,177	101,591
Repayment of borrowings		(199,036)	(105,899)
Payment for treasury shares	16(b)	-	(524)
Equity dividends paid	18	(11,532)	-
Net cash from / (used in) financing activities		**29,609**	**(4,832)**
NET INCREASE/(DECREASE) IN CASH HELD		**32,475**	**(7,520)**
Cash and cash equivalents at beginning of year		4,796	11,649
Effects of exchange rate changes on cash and cash equivalents		541	667
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**37,812**	**4,796**

Notes to the Consolidated Financial Statements

Section A – How the numbers are calculated

Section A1 Segment information

1. OPERATING SEGMENTS

Identification of reportable segments

The Group 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 Group 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 Group 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

1. OPERATING SEGMENTS (continued)

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

Operating segments	NSW 2015 $'000	NSW 2014 $'000	VIC 2015 $'000	VIC 2014 $'000	QLD 2015 $'000	QLD 2014 $'000	SA 2015 $'000	SA 2014 $'000	NZ 2015 $'000	NZ 2014 $'000	Other 2015 $'000	Other 2014 $'000	Total 2015 $'000	Total 2014 $'000
Revenues														
External sales	83,504	69,138	49,833	45,273	102,249	78,810	35,808	22,982	36,494	26,658	-	-	307,888	242,861
Management fees	5,559	2,482	277	54	-	-	58	145	719	2,317	-	-	6,613	4,998
Other revenue	-	-	-	-	-	-	-	-	-	-	3,402	2,711	3,402	2,711
Total segment revenues	**89,063**	**71,620**	**50,110**	**45,327**	**102,249**	**78,810**	**35,866**	**23,127**	**37,213**	**28,975**	**3,402**	**2,711**	**317,903**	**250,570**
Results														
Segment results	23,572	9,941	2,698	6,530	12,701	7,687	6,489	2,369	10,622	5,418	1,070	(42)	57,152	31,903
Share of profits of associates and JVs accounted for using the equity method	1,569	1,954	(1)	(1)	-	-	1	14	-	-	-	-	1,569	1,967
Movement in provision for loss on inventories	3,720	2,928	-	(182)	-	2,542	-	(134)	-	-	-	-	3,720	5,154
Other income	-	-	-	-	-	-	-	-	-	-	3,402	2,711	3,402	2,711
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	(300)	(330)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(16,509)	(13,935)
Unallocated interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(863)	(457)
Profit before income tax													48,171	27,013
Income tax													(13,786)	(8,231)
Profit after income tax													**34,385**	**18,782**

Notes to the Consolidated Financial Statements

1. OPERATING SEGMENTS (continued)

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

Operating Segment	NSW		VIC		QLD		SA		NZ		Other		Total	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
Assets														
Segment assets	188,455	129,041	185,145	94,697	86,762	103,208	101,704	70,196	49,847	59,830	44,201	14,316	656,114	471,288
Total assets	**188,455**	**129,041**	**185,145**	**94,697**	**86,762**	**103,208**	**101,704**	**70,196**	**49,847**	**59,830**	**44,201**	**14,316**	**656,114**	**471,288**
Liabilities														
Segment liabilities	48,796	6,850	98,182	6,520	7,279	5,873	5,156	16,760	25,621	33,629	133,734	85,876	318,768	155,508
Total liabilities	**48,796**	**6,850**	**98,182**	**6,520**	**7,279**	**5,873**	**5,156**	**16,760**	**25,621**	**33,629**	**133,734**	**85,876**	**318,768**	**155,508**

Notes to the Consolidated Financial Statements

Section A2 Profit and loss information

2. REVENUES AND EXPENSES

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

	Note	2015 $'000	2014 $'000
Revenues			
Developments		307,888	242,861
Interest revenue		863	457
Management fees		6,613	4,998
Royalty revenue		-	399
Sundry revenue		2,539	1,855
Total revenues		**317,903**	**250,570**
Cost of property developments sold			
Amortisation of finance costs capitalised to inventories		10,172	10,579
Employee benefits expenses			
Defined contribution superannuation expense		1,473	1,307
Other employee benefits expenses		18,929	15,882
Total employee benefits expenses		**20,402**	**17,189**
Depreciation expense			
Depreciation			
Leasehold improvements	9	7	13
Plant, equipment and motor vehicles	9	293	317
Total depreciation expense		**300**	**330**
Other expenses			
Minimum operating lease payments		2,421	2,235
Finance costs			
Bank loans		10,396	9,349
Less: Amount capitalised to inventories		(9,533)	(8,892)
Finance costs expensed		**863**	**457**
Impairment of assets			
Decrease in provision for loss on inventories		(3,720)	(5,154)
Total impairment reversed		**(3,720)**	**(5,154)**

For the year ended 30 June 2015, the movement resulted from a realignment of future assumptions with current market conditions in respect of one project in New South Wales.

Notes to the Consolidated Financial Statements

3. INCOME TAX

	2015 $'000	2014 $'000
The major components of income tax are:		
Current income tax		
Current income tax charge	915	1,214
Adjustment for prior year	41	19
Deferred income tax		
Current year temporary differences	12,871	6,820
Adjustment for prior year	(41)	178
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**13,786**	**8,231**

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

	2015 $'000	2014 $'000
Accounting profit before income tax	**48,171**	**27,013**
Tax at Australian income tax rate of 30% (2014 - 30%)	14,451	8,104
Adjustment for prior year	-	197
Equity accounted share of Joint Venture profits	(471)	(590)
Other non-deductible items and variations	(194)	520
Income tax	**13,786**	**8,231**

Tax consolidation

The accounting policy in relation to tax consolidation is set out in note 35(s).

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.

Notes to the Consolidated Financial Statements

Section A3 Balance Sheet information

4. CASH AND CASH EQUIVALENTS

	2015 $'000	2014 $'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	**37,812**	**4,796**

5. TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Current		
Trade receivables	62,823	36,556
Related parties receivables	2,993	2,812
Funds held in solicitors trust accounts	13	2,090
Other receivables	3,535	3,181
Allowance for impairment loss	-	(82)
Total current trade and other receivables	**69,364**	**44,557**
Non-current		
Trade receivables	12,818	6,159
Total non-current trade and other receivables	**12,818**	**6,159**

(a) Allowance for impairment loss

No impairment loss (2014: $72,000) has been recognised by the Group 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
2015	75,641	75,627	7	1	6	-
2014	42,715	42,633	-	-	-	82

Considered impaired

Notes to the Consolidated Financial Statements

5. TRADE AND OTHER RECEIVABLES (continued)

	2015 $'000	2014 $'000
At the beginning of the year	82	10
Amounts written off during the year	(82)	-
Amounts provided for during the year	-	72
At the end of the year	-	**82**

(b) Related party receivables

For terms and conditions relating to related party receivables, refer to note 27(k).

(c) Other receivables

Other receivables generally arise from transactions outside the usual operating activities of the Group. 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. Receivables in respect of land, integrated housing and apartments are required to be settled in full prior to passing of title and collateral is therefore unnecessary. Collateral is not held as security for other receivables, nor is it currently the Group's policy to transfer (on-sell) receivables to special purpose entities.

Notes to the Consolidated Financial Statements

6. INVENTORIES

	Note	2015 $'000	2014 $'000
Current			
Broadacres			
Land to be subdivided - at cost		39,983	52,688
Borrowing and holding costs capitalised	6(a)	10,630	9,385
Provision for loss on inventories		(4,409)	(6,583)
Total broadacres		46,204	55,490
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		48,177	53,708
Development costs capitalised		29,147	27,821
Houses and apartments under construction - at cost		25,950	13,978
Borrowing and holding costs capitalised	6(a)	12,559	7,283
Provision for loss on inventories		(3,304)	(9,424)
Total work-in-progress		112,529	93,366
Completed inventory			
Completed houses and apartments - at cost		7,984	2,726
Completed residential land lots - at cost		38,025	17,444
Borrowing and holding costs capitalised	6(a)	2,758	934
Provision for loss on inventories		(2,558)	(1,941)
Total completed inventory		46,209	19,163
Total current inventories		**204,942**	**168,019**
Non-current			
Broadacres			
Land to be subdivided - at cost		254,162	164,921
Borrowing and holding costs capitalised	6(a)	27,562	53,110
Provision for loss on inventories		(19,394)	(28,298)
Total broadacres		262,330	189,733
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		33,838	16,509
Development costs capitalised		4,558	3,541
Houses and apartments under construction - at cost		1,219	-
Borrowing and holding costs capitalised	6(a)	6,896	576
Provision for loss on inventories		(530)	-
Total work-in-progress		45,981	20,626
Completed inventory			
Completed residential land lots - at cost		3,685	2,454
Borrowing and holding costs capitalised	6(a)	32	12
Provision for loss on inventories		(21)	(21)
Total completed inventory		3,696	2,445
Total non-current inventories		**312,007**	**212,804**
Total inventories		**516,949**	**380,823**

Notes to the Consolidated Financial Statements

6. 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 6.90% (2014: 7.64%).
(b) Inventory with a book value of $18,019,000 (2014: $92,718,000) had been pledged as security for project specific borrowings (refer to note 12(b)). The Group's remaining inventory has been pledged as security for the main banking facility (refer to note 12(a)).
(c) Previous write-downs of inventories to net realisable value reversed and recognised as a credit during the year ended 30 June 2015 amounted to $3,720,000 (2014: $5,154,000). The credit has been disclosed as a separate item in the *Consolidated Statement of Comprehensive Income.*

Movements in provision for loss on inventories

	2015 $'000	2014 $'000
At the beginning of the year	46,267	64,896
Amounts utilised	(12,331)	(13,475)
Provisions reversed	(3,720)	(5,154)
At the end of the year	**30,216**	**46,267**

7. OTHER CURRENT ASSETS

Prepayments	1,943	1,308
Deposits	117	79
Total other current assets	**2,060**	**1,387**

8. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2015 $'000	2014 $'000
Property Fund Units	**2,880**	**3,000**

These comprise units in unlisted property funds that do not have an active market. As the range of reasonable fair values can be significant and these estimates cannot be made reliably, the units are measured at cost less impairment.

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.

Notes to the Consolidated Financial Statements

9. PLANT AND EQUIPMENT

	2015 $'000	2014 $'000
Leasehold improvements		
At cost	410	405
Less: accumulated depreciation	(347)	(343)
Total leasehold improvements	**63**	**62**
Plant, equipment and motor vehicles		
At cost	6,167	6,426
Less: accumulated depreciation	(5,625)	(5,846)
Total plant, equipment and motor vehicles	**542**	**580**
Total plant and equipment	**605**	**642**

Reconciliations

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

For the year ended 30 June 2014	**Note**	**Leasehold improve-ments $'000**	**Plant, equipment and motor vehicles $'000**	**Total $'000**
Carrying amount at 1 July 2013		69	924	993
Additions		6	70	76
Disposals		-	(97)	(97)
Depreciation charge	2	(13)	(317)	(330)
Carrying amount at 30 June 2014		**62**	**580**	**642**
For the year ended 30 June 2015				
Carrying amount at 1 July 2014		62	580	642
Additions		8	266	274
Disposals		-	(11)	(11)
Depreciation charge	2	(7)	(293)	(300)
Carrying amount at 30 June 2015		**63**	**542**	**605**

Notes to the Consolidated Financial Statements

10. INTANGIBLE ASSETS

	2015 $'000	2014 $'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 35(i), 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 2015, there were no indicators of impairment.

Notes to the Consolidated Financial Statements

11. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Current		
Unsecured		
Land creditors	89,689	17,646
Trade creditors	12,403	11,094
Related party payables	3,128	2,750
Other creditors and accruals	12,241	15,333
Total current payables	**117,461**	**46,823**
Non-Current		
Unsecured		
Land creditors	51,556	13,406
Total non-current payables	**51,556**	**13,406**

Land creditors

Titles for the unsecured land creditors only transfer to the Group 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 27(k).

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 6.95% (2014: 7.32%).

Notes to the Consolidated Financial Statements

12. INTEREST-BEARING LOANS AND BORROWINGS

	2015 $'000	2014 $'000
Current		
Secured		
Bank loans	3,008	4,083
Total current interest-bearing liabilities	**3,008**	**4,083**
Non-current		
Secured		
Bank loans	123,716	81,500
Total non-current interest-bearing liabilities	**123,716**	**81,500**

Financing arrangements

The Group has access to the following lines of credit:

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2015				
Main banking facilities	12(a)			
- bank overdraft		5,000	-	5,000
- bank loans		210,000	123,716	86,284
- performance bonds		35,000	9,778	25,222
		250,000	**133,494**	**116,506**
Other non-cash facilities		**1,800**	**-**	**1,800**
Project funding facilities	12(b)			
- bank loans		3,026	3,008	18
		3,026	**3,008**	**18**
Contract performance bond facilities	12(c)			
- performance bonds		**25,000**	**21,134**	**3,866**
30 June 2014				
Main banking facilities	12(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	12(b)			
- bank loans		11,691	8,583	3,108
- performance bonds and other non-cash facilities		16,000	9,977	6,023
		27,691	**18,560**	**9,131**
Contract performance bond facility	12(c)			
- performance bonds		**15,000**	**12,140**	**2,860**

At 30 June 2015 these facilities are interchangeable up to $47 million (2014: $5 million) between the bank loans and performance bonds/other non-cash facilities.

Notes to the Consolidated Financial Statements

12. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Significant terms and conditions

(a) Main banking facilities

The Group's main banking facilities mature on 30 September 2017. The main banking facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Group that are obligors under the main banking facilities, and by first registered mortgages over various real estate inventories other than those controlled by the Group under project development agreements and those assets pledged as security for project funding (see note 12(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 (see note 23). The current interest rates on the bank loans range from 3.09% to 4.30% (2014: 4.20% to 4.26%).

(b) Project funding facilities

Project funding facilities are secured by:

- a fixed and floating charge over the assets of the entity involved in the relevant project, namely, Portarlington Nominees Pty Limited; and
- a first registered mortgage over certain real estate inventories of the entity involved in the relevant project, namely, Portarlington Nominees Pty Limited.

The lines of credit shown are maximum limits which are available progressively as projects are developed. The expiry date for the facility at the reporting date was August 2015 but has subsequently been extended to September 2015 at the request of the lender to permit it time to complete its annual review. The outstanding amounts are expected to be repaid or refinanced prior to expiry of the facility. As at 30 June 2015, the balance outstanding on the bank loan facilities was $3,008,000 (2014: $8,583,000).

	2015 $'000	2014 $'000
The carrying amounts of the pledged assets are as follows:		
Wollert, Victoria	-	29,830
Cheltenham, South Australia	-	47,707
Arlington Rise, Victoria	18,051	19,054

The weighted average interest rate on the project funding loans at year-end was 2.09% (2014: 3.27%).

(c) Contract performance bond facilities

The Group has entered into Contract performance bond facilities of $25,000,000 (2014: $15,000,000). The Contract performance bond facilities are subject to review annually. The facilities expire by 31 December 2015 and management expects the annual review which is underway, to be completed shortly and the facilities extended for a further 12 months. The performance bond facilities are secured by Deeds of Indemnity between the Parent Entity and various controlled entities. Details of the controlled entities, included in the Deeds of Indemnity are set out in note 23.

Notes to the Consolidated Financial Statements

13. TAX PAYABLE

	2015 $'000	2014 $'000
Income tax payable	**-**	**251**

14. DEFERRED TAX LIABILITIES

	2015 $'000	2014 $'000
The provision for deferred income tax is made up as follows:		
- capitalisation of development costs	19,106	21,742
- prepayments, accruals/provisions and investments	8,918	5,729
- brand name	845	845
- provisions for asset impairments	(9,588)	(13,937)
- tax loss carried forward	(2,506)	(10,338)
Deferred tax liabilities	**16,775**	**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:

	2015 $'000	2014 $'000
Carrying amount at beginning of year	4,041	-
Transferred from/to deferred tax assets	-	(3,087)
Arising temporary differences	12,734	7,128
Carrying amount at end of year	**16,775**	**4,041**

15. PROVISIONS

Current		
Employee benefits	3,760	3,526
Other	1,750	1,180
Total current provisions	**5,510**	**4,706**
Non-current		
Employee benefits	742	698
Total non-current provisions	**742**	**698**

Notes to the Consolidated Financial Statements

16. CONTRIBUTED EQUITY

	Note	2015 *Number*	2014 *Number*	2015 $'000	2014 $'000
Ordinary shares	16(a)	384,423,851	384,423,851	162,793	162,793
Treasury shares	16(b)	(3,502,401)	(4,221,605)	(2,357)	(2,357)
Share capital		**380,921,450**	**380,202,246**	**160,436**	**160,436**

(a) Movement in ordinary share capital	***Number***	***Number***	**$'000**	**$'000**
As at the beginning of the year	384,423,851	384,423,851	162,793	162,793
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	**2015** ***Number***	**2014** ***Number***	**2015 $'000**	**2014 $'000**
As at the beginning of the year	(4,221,605)	(3,365,100)	(2,357)	(1,833)
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	-	(856,505)	-	(524)
Employee share scheme issue	719,204	-	-	-
As at the end of the year	**(3,502,401)**	**(4,221,605)**	**(2,357)**	**(2,357)**

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

Notes to the Consolidated Financial Statements

17. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Note	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Total $'000
At 1 July 2013		**1,123**	**1,077**	**2,200**
Foreign currency translation		2,065	-	2,065
Share-based payment expense	28(a)	-	96	96
At 30 June 2014		**3,188**	**1,173**	**4,361**
Foreign currency translation		(1,397)	-	(1,397)
Share-based payment expense	28(a)	-	110	110
At 30 June 2015		**1,791**	**1,283**	**3,074**

(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 35(y).

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 35(p) for further details of the Plan.

(c) Retained earnings

	2015 $'000	2014 $'000
Movements in retained earnings were as follows:		
At the beginning of the year	150,983	132,201
Net profit for the year	34,385	18,782
Dividends	(11,532)	-
At the end of the year	**173,836**	**150,983**

Notes to the Consolidated Financial Statements

18. DIVIDENDS

	2015 $'000	2014 $'000
Cash dividends declared and paid		
2014 final dividend of 2.0 cents per share, paid 18 September 2014. Fully franked @ 30% tax	7,688	-
2015 interim dividend of 1.0 cent per share, paid 8 April 2015. Fully franked @ 30% tax	3,844	-
Total cash dividends declared and paid	**11,532**	**-**
Dividends proposed		
2014 final dividend of 2.0 cents per share, to be paid 18 September 2014. Fully franked @ 30% tax	-	7,688
2015 final dividend of 3.0 cents per share, to be paid 23 September 2015. Fully franked @ 30% tax	11,532	-
Total dividends proposed	**11,532**	**7,688**

The Company's Dividend Reinvestment Plan remains suspended.

	2015 $'000	2014 $'000
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30%	**18,596**	**21,246**

Notes to the Consolidated Financial Statements

Section A4 Cash Flows information

19. CASH FLOW STATEMENT RECONCILIATION

	2015 $'000	2014 $'000
Reconciliation of profit after tax to net cash flows from operations		
Profit after tax	34,385	18,782
Adjustments for:		
Depreciation	300	330
Net loss on disposal of plant and equipment	4	28
Interest revenue classified as investing cash flow	(863)	(457)
Share of profits of associates and joint venture entities	(1,569)	(1,967)
Movement in provision for loss on inventories	(16,051)	(18,629)
Share-based payments expense	110	96
Change in operating assets and liabilities:		
(Increase)/decrease in inventories	(120,075)	28,619
Increase in trade and other receivables	(31,466)	(23,563)
Increase in prepayments and deposits	(673)	(1,676)
Increase in current tax receivables	(143)	-
Decrease in deferred tax assets	-	3,087
Increase in deferred tax liability	12,734	4,041
Decrease in current tax liability	(251)	(198)
Increase/(decrease) in trade and other payables	108,350	(10,695)
Increase in provisions	848	523
Net cash flows used in operating activities	**(14,360)**	**(1,679)**

Notes to the Consolidated Financial Statements

Section B – Risk

20. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Judgements

In the process of 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 Group 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 $2,506,000 (2014: $10,338,000) 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) Estimates and assumptions

The 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 within the next financial year are described below. Assumptions and estimates are based on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they 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 35(j). 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 35(r). 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 28(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.

Notes to the Consolidated Financial Statements

20. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

21. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance and guarantee the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and bank balances that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a central treasury department that advises on financial risks and the appropriate financial risk governance framework for the Group. The central treasury department provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialists who have the appropriate skills and experience. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group actively manages its interest rate risk and, subject to its loan maturity and cash flow profile and its view of the outlook for interest rates over the medium term, may from time-to-time hedge up to 50% of its forecast average borrowings at fixed or capped rates of interest. To manage this, the Group enters into hedging strategies that combine interest rate caps and floors, as well as floating-to-fixed interest rate swap contracts. The Group's forecast cash position together with its current benign outlook for medium term interest rates resulted in it retaining more exposure to floating rates than in some prior years.

The fair value exposure on derivatives is an outcome of the Group's management of the cash flow volatility arising from interest rate fluctuations.

Interest rate collar contracts are entered into for notional principal amounts by receiving an upfront premium for the floor component that covers a specific period. The interest rate structure is a combination of purchasing a cap and selling a floor, which effectively limits rate fluctuations to within a range. The structure is used because it provides the benefit of capping interest rate increases whilst limiting the premium payable by assuming the risk (i.e. foregoing the benefit) of interest rates falling below the floor rate. 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 Group, 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 cap and floor rate, no settlement occurs.

By entering into interest rate swaps, the Group 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.

Notes to the Consolidated Financial Statements

21. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

The Group'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.

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

	2015		2014	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	**$'000**	**%**	**$'000**
Cash	2.16	(37,812)	1.88	(4,796)
Bank loans	3.41	126,724	4.13	85,583
Net financial liabilities		**88,912**		**80,787**
Interest rate cap and collar		(20,000)		(55,000)
Borrowings not hedged		**68,912**		**25,787**

Interest rate derivative contracts are exposed to fair value movements if interest rates change. Details of these contracts are:

Type of derivative	**Period Start Date**	**Period End Date**	**Cap Rate %**	**Floor Rate %**	**Principal Amount 2015 $'000**	**Principal Amount 2014 $'000**
Interest rate cap and collar	11-Jun-14	11-Sep-14	2.95	2.50	-	55,000
Interest rate cap and collar	11-Jun-15	30-Sep-15	2.95	2.50	20,000	-

At 30 June 2015, 9.2% of the available borrowings are at capped and collared rates of interest (2014: 36.3%).

The Group 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 tables demonstrate the sensitivity to a reasonably possible change in interest rates on exposures existing at balance date.

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)**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
+100 basis points	(163)	(34)	-	-
+50 basis points	(86)	(22)	-	-
-50 basis points	55	23	-	-

Notes to the Consolidated Financial Statements

21. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries.

At balance date, the Group had the following exposure to New Zealand Dollar foreign currency that is not hedged:

	2015 NZ$'000	2014 NZ$'000
Financial Assets		
Cash and cash equivalents	6,399	1,478
Trade and other receivables	41,430	37,825
Total financial assets	**47,829**	**39,303**
Financial Liabilities		
Trade and other payables	20,120	34,328
Interest-bearing loans and borrowings	5,500	-
Total financial liabilities	**25,620**	**34,328**
Net exposure	**22,209**	**4,975**

The following table demonstrates the sensitivity to a change in AUD/NZD exchange rates on exposures existing at balance date.

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)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
AUD/NZD +10%	(656)	(277)	(140)	(207)
AUD/NZD - 5%	328	138	70	103
AUD/NZD -10%	656	277	140	207

(iii) Price risk

The Group does not have commodity and equity securities price risk.

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade Receivables

Contracts for Land, Integrated Housing and Apartments usually require payment in full prior to passing of title to customers and collateral is therefore unnecessary. In the event that title is to pass prior to full payment being received, appropriate credit verification procedures would be performed before contract execution.

Notes to the Consolidated Financial Statements

21. FINANCIAL RISK MANAGEMENT (continued)

(iv) Credit risk (continued)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Derivative counterparties and cash deposits are limited to financial institutions approved by the Board.

Credit risk 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 $2,801,000 (2014: $8,367,000) in relation to financial guarantees granted – see note 33 for further information.

The Group has no significant concentrations of credit.

(v) Liquidity risk

The Group manages its liquidity risk by monitoring forecast cash flows on a fortnightly basis and matching the maturity profiles of financial assets and liabilities. The objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit facilities.

The current main banking facilities are due to mature on 30 September 2017 and are therefore non-current. In addition, the Group operates certain project funding facilities which are discussed in note 12(b).

At 30 June 2015, 2.4% (2014: 4.8%) of the Group's interest-bearing loans and borrowings will mature in less than one year.

The Group assessed the concentration of liquidity risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding, and debt maturing within 12 months can be rolled over with existing lenders.

A. Non-derivative financial liabilities:

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 30 June 2015	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	37,812	-	-	37,812
Trade and other receivables	58,987	10,377	12,818	82,182
	96,799	**10,377**	**12,818**	**119,994**
Financial Liabilities				
Trade and other payables	106,670	10,791	51,556	169,017
Interest-bearing loans and borrowings*	5,163	2,109	129,040	136,312
Financial Guarantees	2,801	-	-	2,801
	114,634	**12,900**	**180,596**	**308,130**
Net maturity	**(17,835)**	**(2,523)**	**(167,778)**	**(188,136)**

Notes to the Consolidated Financial Statements

21. FINANCIAL RISK MANAGEMENT (continued)

(v) Liquidity risk (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)**

* 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 Group has approximately $122 million (2014: $83 million) of unused credit facilities available for its immediate use. Please refer to note 12.

During the year, the Group established a multi-currency medium term note programme (MTN Programme) in Singapore. The MTN Programme is registered with the Singapore Exchange, has a SGD500 million limit and exists in perpetuity. Its purpose and other terms and conditions (including controlling covenants) are approved by the Group's Club Lenders. The MTN Programme provides the Group with the ability (subject to investor appetite and Club Lender approval), to tap international debt capital markets by issuing tranches of notes with characteristics selected from the widest possible range of options, instead of or in addition to borrowing from more traditional lenders such as banks. No notes have been issued under the MTN Programme to-date.

B. Derivative financial liabilities:

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

Notes to the Consolidated Financial Statements

21. FINANCIAL RISK MANAGEMENT (continued)

(vi) Fair value

The following table provides the fair value measurement hierarchy of the Group's liabilities.

	Year ended 30 June 2015				Year ended 30 June 2014			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Financial liabilities								
Interest-bearing loans and borrowings	-	126,724	-	126,724	-	85,583	-	85,583
	-	126,724	-	126,724	-	85,583	-	85,583

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

Fair values of the Group's interest-bearing loans and borrowings are determined by using Discounted Cash Flow (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 2015 was assessed to be insignificant.

22. CAPITAL RISK MANAGEMENT

When managing capital, management's objective is to ensure that the Group 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 2015, a total dividend of $11,532,000 was paid (2014: 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 Group, these ratios are as follows:

	Consolidated	
	2015 $'000	2014 $'000
Interest-bearing loans and borrowings	126,724	85,583
Less: cash and cash equivalents	(37,812)	(4,796)
Net debt	88,912	80,787
Total equity	337,346	315,780
Total assets	656,114	471,288
Net debt to equity ratio	**26.4%**	**25.6%**
Net debt to total assets ratio	**13.6%**	**17.1%**

AVJennings Limited has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

Notes to the Consolidated Financial Statements

Section C – Group Structure

23. CONTROLLED ENTITIES

(a) Investment in controlled entities

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

ECONOMIC ENTITY [1]	% Equity Interest 2015	% Equity Interest 2014	Included in Banking Cross Deed of Covenant [2] 2015	Included in Banking Cross Deed of Covenant [2] 2014
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
AVJ ODP Pty Limited	100	100	No	No
AVJennings (Cammeray) Pty Limited	100	100	Yes	Yes
AVJennings Syndicate No 3 Limited	100	100	No	No
AVJennings Syndicate No 4 Limited[3]	100	100	Yes	Yes
AVJennings Officer Syndicate Limited[3]	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 4 Pty Limited	100	100	Yes	No
AVJennings Wollert Pty Limited	100	100	Yes	No
AVJ Erskineville Pty Limited	100	100	Yes	Yes
AVJ Hobsonville Pty Limited	100	100	Yes	Yes
AVJennings Properties SPV No 9 Pty Limited	100	100	No	Yes
AVJennings SPV No 10 Pty Limited	100	100	No	Yes
Creekwood Developments Pty Limited[3]	100	100	Yes	Yes
Portarlington Nominees Pty Limited	100	100	No	No
AVJennings St Clair Pty Limited	100	-	Yes	N/A
St Clair JV Nominee Pty Limited	100	50	Yes	No
AVJennings Properties Wollert SPV Pty Limited	100	-	No	N/A
AVJennings Waterline Pty Limited	100	-	No	N/A

(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 12(a).
(3) These entities, including AVJennings Limited, are included in the Deeds of Indemnity for performance bond facilities referred to in note 12(c).

Notes to the Consolidated Financial Statements

23. 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 23(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 23(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 23(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	
	2015	**2014**
	$'000	**$'000**
Revenues	162,203	144,792
Cost of property development sold	(107,270)	(108,027)
Other expenses	(34,941)	(28,951)
Profit before income tax	**19,992**	**7,814**
Income tax	(6,608)	(2,795)
Profit after income tax	**13,384**	**5,019**
Dividends paid	(11,532)	-
Profit for the year	**1,852**	**5,019**

Notes to the Consolidated Financial Statements

23. 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:

	2015 $'000	2014 $'000
CURRENT ASSETS		
Cash and cash equivalents	31,503	4,416
Trade and other receivables	191,386	135,045
Inventories	89,254	78,250
Other current assets	1,852	1,335
Total current assets	**313,995**	**219,046**
NON-CURRENT ASSETS		
Inventories	132,219	134,188
Plant and equipment	605	642
Intangible assets	2,816	2,816
Total non-current assets	**135,640**	**137,646**
Total assets	**449,635**	**356,692**
CURRENT LIABILITIES		
Trade and other payables	50,372	13,409
Provisions	5,411	4,674
Total current liabilities	**55,783**	**18,083**
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	118,846	77,000
Deferred tax liabilities	13,718	2,327
Provisions	742	698
Total non-current liabilities	**133,306**	**80,025**
Total liabilities	**189,089**	**98,108**
Net assets	**260,546**	**258,584**
EQUITY		
Contributed equity	160,436	160,436
Reserves	1,282	1,173
Retained earnings	98,828	96,975
Total equity	**260,546**	**258,584**

23. 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	
	2015	**2014**
	$'000	**$'000**
At beginning of the year	258,584	253,993
Profit for the year	1,852	5,019
Total income and expenses for the year	1,852	5,019
Equity transactions		
- Treasury shares acquired	-	(524)
- Share-based payment expenses	110	96
	1,962	4,591
At end of the year	**260,546**	**258,584**

24. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		2015	**2014**
	Note	**$'000**	**$'000**
Investment in Associate - unincorporated	24(a)	4	5
Interest in Joint Ventures - unlisted	24(b)	10,663	27,103
Total equity accounted investments		**10,667**	**27,108**

Investments in Associates and joint ventures are accounted for in accordance with the policy outlined in note 35(f).

(a) Investment in Associate

The Group 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.

Notes to the Consolidated Financial Statements

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

(a) Investment in Associate (continued)

	Interest held	
	2015	**2014**
Associate name and principal activity		
Epping JV - Land Development	10%	10%

	2015 $'000	**2014 $'000**
Movements in carrying amount		
At beginning of year	5	46
Distribution received	-	(40)
Share of net loss	(1)	(1)
At end of year	**4**	**5**

Summarised financial information of the Associate

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

	2015 $'000	**2014 $'000**
Assets	6	9
Liabilities	2	4
Revenues	-	1
Loss	(1)	(1)

Impairment

The Group'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 Group 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 2015 (2014: nil).

Notes to the Consolidated Financial Statements

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

(b) Interest in Joint Ventures

	Interest held	
	2015	**2014**
Joint Venture and principal activities		
Eastwood - Land Development and Building Construction	50.0%	50.0%
Woodville - Land Development and Building Construction	50.0%	50.0%
Pindan Capital Group Dwelling Trust - Building Construction	33.3%	-

	2015	**2014**
	$'000	**$'000**
Movements in carrying amount		
At the beginning of year	27,103	25,136
Contributions made	6,091	-
Distributions received	(18,750)	-
Dividends received	(5,350)	-
Share of net profit	1,569	1,967
At the end of year	**10,663**	**27,103**

The Group's share of the Joint Ventures' assets, liabilities, revenue and expenses are as follows:

Share of assets and liabilities		
Current assets	7,586	29,564
Non-current assets	8,970	-
Total assets	16,556	29,564
Current liabilities	4,846	1,717
Non-current liabilities	1,047	744
Total liabilities	5,893	2,461
Net assets	**10,663**	**27,103**
Share of revenue, expenses and results		
Revenues	29,985	26,336
Expenses	(27,743)	(23,525)
Profit before income tax	2,242	2,811
Income tax	(673)	(844)
Profit after income tax	**1,569**	**1,967**

Notes to the Consolidated Financial Statements

25. 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 held	
	2015	**2014**
Joint Operation name and principal activities		
Cheltenham Joint Venture - Land Development and Building Construction	-	50%
Hobsonville Joint Venture - Land Development	50%	50%
Elderslie Joint Venture - Land Development and Building Construction	50%	-
Wollert Joint Venture - Land Development and Building Construction	49%	-

On 30 September 2014, the Group purchased the 50% share held by the joint operation partner in the Cheltenham Joint Venture. Cheltenham did not constitute a business and was therefore accounted for as an asset acquisition.

On 18 November 2014, the Group entered into a joint venture agreement to develop and sell land as well as integrated housing at Elderslie in New South Wales.

On 28 April 2015, the Group entered into a joint venture agreement to develop and sell land as well as integrated housing at Wollert in Victoria.

The Group'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 35(e), under the following classifications:

	2015	**2014**
	$'000	**$'000**
Revenues	15,606	39,431
Cost of property developments sold	(11,082)	(32,195)
Other expenses	(946)	(993)
Profit before income tax	**3,578**	**6,243**
Income tax	(1,073)	(1,873)
Profit after income tax	**2,505**	**4,370**
Total comprehensive income for the year	**2,505**	**4,370**

Notes to the Consolidated Financial Statements

25. INTEREST IN JOINT OPERATIONS (continued)

The Group'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 35(e), under the following classifications:

	2015 $'000	2014 $'000
CURRENT ASSETS		
Cash and cash equivalents	6,259	343
Trade and other receivables	493	2,544
Inventories	-	25,856
Other current assets	-	2
Total current assets	**6,752**	**28,745**
NON-CURRENT ASSETS		
Inventories	17,920	18,960
Plant and equipment	-	2
Total non-current assets	**17,920**	**18,962**
Total assets	**24,672**	**47,707**
CURRENT LIABILITIES		
Trade and other payables	10,100	8,516
Interest-bearing loans and borrowings	-	313
Total current liabilities	**10,100**	**8,829**
NON-CURRENT LIABILITIES		
Trade and other payables	232	-
Interest-bearing loans and borrowings	-	4,500
Total non-current liabilities	**232**	**4,500**
Total liabilities	**10,332**	**13,329**
Net assets	**14,340**	**34,378**

Notes to the Consolidated Financial Statements

Section D – Other information

26. CORPORATE INFORMATION

The Consolidated Financial Statements of AVJennings Limited for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on 28 September 2015.

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. 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 Group ("AVJennings" 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 Group are provided in the *Directors' Report*.

27. 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	
	2015 Number	**2014 Number**
Fully paid ordinary shares	196,432,280	196,033,041

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 (2014: 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 2015. 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 2015, the Parent Entity has not set up any provisions against debts owed by related parties as recoverability is considered probable (2014: 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.

Notes to the Consolidated Financial Statements

27. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	Note	2015 $	2014 $
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
Joint Ventures:			
Eastwood JV			
Management fee received/receivable		5,558,869	2,481,692
Accounting services fee received/receivable		45,833	50,000
Dividends received		5,350,000	-
Distributions received		18,750,000	-
Cheltenham JV			
Accounting services fee received/receivable	(ii)	24,000	72,000
Woodville JV			
Accounting services fee received/receivable		30,000	72,000
Wollert JV			
Planning services fee received/receivable		813,450	-
Accounting services fee received/receivable		8,333	-

(i) Consultancy fees paid to SC Global Developments Pte Ltd of $600,000 (2014: $600,000).
(ii) Fees for the period to 30 September 2014 (see note 25).

(f) Joint ventures and Joint operations in which related entities in the Group are venturers

Joint ventures in which the Group has an interest are set out in note 24 and note 25.

(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.

	2015 $'000	2014 $'000
Current receivables		
Joint Ventures	2,993	2,812

(h) Loans from related party

Loan received		
Joint Venture	2,978	2,600

Notes to the Consolidated Financial Statements

27. RELATED PARTY DISCLOSURES (continued)

(i) Remuneration of Key Management Personnel

	2015 $	2014 $
Short-term		
- Salary/Fees	2,242,395	2,484,585
- Cash bonus	431,001	280,167
- Other (1)	77,595	81,607
Post employment		
- Superannuation (2)	140,410	184,342
Long-term		
- Long service leave	61,733	69,551
Share-based payment	95,066	282,796
	3,048,200	**3,383,048**

(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 Group does not contribute to any Defined Benefit Plans.

(j) 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.

(k) 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.

28. 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:

	2015 $'000	2014 $'000
Expense arising from equity-settled share-based payment transactions	436	675
Expense reversed on forfeiture of shares	(326)	(579)
Total expense arising from share-based payment transactions	**110**	**96**

The share-based payment plan is described in note 28(b).

28. SHARE-BASED PAYMENT PLANS (continued)

(b) Type of share-based payment plan

Long term incentive (LTI) awards are made to KMP and certain 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.

LTI and retention (current year)

From FY15, share-based remuneration will be provided by the Issue of Rights. The LTI arrangements were varied by the Board for the FY15 year to improve the efficiency of the scheme, reduce the costs to the Company, increase the value to executives, achieve the retention objective and drive performance. The variations consisted of:

(a) Changing from a share grant scheme to a rights based scheme, thus avoiding the upfront cash outflow associated with the acquisition of shares for each grant. Shares are only now acquired when the rights vest. A rights scheme also means executives do not receive dividends on the rights (as is the case under the former share scheme).
(b) Re-weighting of short term performance, long term performance and retention by introducing a retention component aligned to long term retention (with service conditions only) which will vest over a three year period.
(c) Changing the Total Shareholder Return (TSR) hurdle of the LTI component to a Return on Equity (ROE) hurdle based on return on market capitalisation. From a shareholders' perspective, market capitalisation is seen as an appropriate proxy for equity. The ROE hurdle operates such that 50% vesting occurs at an average annual return of 12% with 100% vesting at an average annual return of 18%. The EPS hurdle remains unchanged and is consistent with the previous years' LTI awards structure explained under LTI (previous years) below. The performance conditions will be tested at the end of the three year vesting period and the number of rights that may vest will depend on the level of average annual returns achieved over that period. The CEO's participation was determined as 40% (LTI) and 25% (Retention component) of TEC respectively.

The operation of the EPS hurdle is set out below.

AVJennings' EPS growth rate over the performance period	**Percentage of rights 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 operation of the ROE hurdle is set out below.

AVJennings' ROE over the performance period	**Percentage of rights vesting**
<12%	Nil
12%	50%
12% - 18%	Pro-rata between 50% and 100%
>=18%	100%

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

The operation of the retention hurdle is set out below.

Retention component - years of service	Percentage of rights vesting
one year	33.33%
two years	33.33%
three years	33.34%

LTI Awards (previous years)

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 remuneration 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, except for the FY2013 delayed grant which is only subject to the service condition (see below). 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 summarises the movement of the number of shares (both KMP and other executives) under the previous years' LTI Plan:

	Purchased on market	Issued from holding account	Forfeited and transferred to holding account	Shares vested	Unvested shares
FY2011 Grant	1,375,452	-	(1,375,452)	-	-
FY2012 Grant	1,695,735	-	(1,240,047)	(455,688)	-
FY2013 Grant	293,913	219,255	-	-	513,168
FY2013 Delayed Grant	-	527,027	(32,653)	(263,516)	230,858
FY2014 Grant	856,505	753,591	(147,682)	-	1,462,414
Holding Account	-	(1,499,873)	2,795,834	-	1,295,961
Total	**4,221,605**	**-**	**-**	**(719,204)**	**3,502,401**

The following is the status of rights granted under the restructured share-based remuneration.

	Rights granted	Rights vested	Unvested rights
FY2015 Grant	1,363,583	-	1,363,583
Total	**1,363,583**	**-**	**1,363,583**

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

The service vesting condition is that the employee must still be employed by AVJennings at 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:

  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 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.

Notes to the Consolidated Financial Statements

29. AUDITOR'S REMUNERATION

	2015 $	2014 $
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 Group	264,288	249,832
- Share of audit or review costs of the financial reports of the Consolidated Entity's joint ventures	-	2,869
- Other services in relation to the Entity and any other entities in the Group		
- non-audit related fees	128,190	1,030
Total auditor's remuneration	**392,478**	**253,731**

30. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year (adjusted for treasury shares) and the weighted average number of ordinary shares, if any, that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Notes to the Consolidated Financial Statements

30. EARNINGS PER SHARE (continued)

The following reflects the income and share data used in the basic and diluted EPS computations:

	2015 $'000	2014 $'000
Profit attributable to ordinary equity holders of the parent	34,385	18,782

	2015 Number	2014 Number
Weighted average number of ordinary shares	384,423,851	384,423,851
Treasury shares	(3,502,401)	(4,221,605)
Weighted average number of ordinary shares for earnings per share	380,921,450	380,202,246

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these Financial Statements.

31. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2015 $'000	2014 $'000
Balance Sheet		
Current assets	51,839	51,729
Total assets	215,125	215,015
Current liabilities	6	6
Total liabilities	6	6
Shareholders' equity		
Contributed equity	160,436	160,436
Reserves		
Share-based payment reserve	1,283	1,173
Retained earnings	53,400	53,400
Total equity	**215,119**	**215,009**
Profit for the year	**-**	**-**
Total comprehensive income	**-**	**-**

(b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any financial guarantees other than those mentioned in notes 12(a), 12(c) 23(c) and 33.

(c) Contingent liabilities of the Parent Entity

Please refer to note 33 for details of the Parent Entity's contingent liabilities.

Notes to the Consolidated Financial Statements

32. COMMITMENTS

Operating lease commitments – Group 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:

	2015 $'000	2014 $'000
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	1,867	2,092
After one year, but not more than five years	691	1,655
Total operating leases	**2,558**	**3,747**
Represented by:		
Non-cancellable operating leases	2,268	3,087
Cancellable operating leases	290	660
Total operating leases	**2,558**	**3,747**

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 23.

Contract performance bond facilities

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to the Contract performance bond facilities. Details of these entities are set out in note 23. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 30 June 2015, amounted to $21,134,000 (2014: $12,140,000). 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 Group's results.

Notes to the Consolidated Financial Statements

33. CONTINGENCIES (continued)

Secured

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 23.

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group bankers in the normal course of business to unrelated parties, at 30 June 2015, amounted to $6,977,000 (2014: $7,445,000). No liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Group’s bankers to unrelated parties in the normal course of business at 30 June 2015, amounted to $2,801,000 (2014: $8,367,000). No liability is expected to arise.

34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

35. 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.

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.

Notes to the Consolidated Financial Statements

35. 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 except as follows:

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 identified 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 has no impact on the disclosure for the Group.

(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 2015. These are outlined below:

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.

AASB 9 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 2018 / applicable for Group 1 July 2018)

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. It replaces AASB 111, AASB 118 and related IFRIC Interpretations.

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 entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New accounting standards and interpretations (continued)

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

c) Basis of consolidation

The *Consolidated Financial Statements* comprise the financial statements of AVJennings Limited and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls the investee if and only if the Group has:

- Power over the investee (existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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.

e) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the joint operation. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The proportionate interests in the assets, liabilities, revenues and expenses of joint operations have been recognised in the Financial Statements under the appropriate headings. Details of the joint operations are set out in note 25.

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Investments in associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Details relating to the associate are set out in note 24(a).

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Details relating to joint ventures are set out in note 24(b).

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The *Statement of Comprehensive Income* reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of such changes, where applicable, in the *Statement of Changes in Equity*. Dividends received from an associate or a joint venture are recognised as a reduction in the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture, until such time as they are realised by the associate or joint venture on consumption or sale.

The aggregate of the Group's share of profit or loss of associate and joint ventures is shown separately on the face of the *Statement of Comprehensive Income* and represents profit or loss after tax and non-controlling interests in the associates and joint ventures.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises it in the *Statement of Comprehensive Income*.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Plant and equipment

Plant and equipment is stated at historical cost less depreciation and impairment.

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

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

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 profit or loss.

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

Derecognition

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

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Interest income on borrowed funds pending their expenditure, is deducted from borrowing costs eligible for capitalisation.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is 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 Group 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 are 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 considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the *Statement of Comprehensive Income* in the expense category that is 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 useful life from indefinite to finite is made on a prospective basis.

j) 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 20(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

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

The Company intends to hold the property fund units (refer to note 8) until the development activity being undertaken is completed, and all product sold.

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

These comprise units in unlisted property funds that do not have an active market. As the range of reasonable fair values can be significant and these estimates cannot be made reliably, the units are measured at cost less impairment.

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.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Trade and other receivables

Trade receivables are recognised at the amount invoiced less provision for impairment. Trade receivables are generally due for settlement between 30 and 180 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment allowance is the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written-off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

m) Cash and cash equivalents

Cash and cash equivalents in the *Consolidated Statement of Financial Position* comprise cash at bank and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose 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 as part of current liabilities in the *Consolidated Statement of Financial Position*.

n) 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 for at least 12 months after the reporting date.

o) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group 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 a provision is presented in the *Statement of Comprehensive Income* net of any reimbursement.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Provisions (continued)

Short term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long term employee benefit obligations

The Group recognises a liability for long service leave and annual leave which is not expected to be settled within 12 months of the reporting date. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

p) Share-based payments

Certain Executives of the Group receive remuneration in the form of share-based payments, whereby they render services as consideration for equity instruments (equity-settled transactions).

In previous years, share-based remuneration was provided via the AVJ Deferred Employee Share Plan. Information relating to the plan is set out in note 28.

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 at the date when the grant is made is determined using an appropriate valuation model. That fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

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.

For the current year, share-based remuneration will be provided by an Issue of Rights. The arrangements were varied by the Board to improve the efficiency of the scheme, reduce the cost to the Company and increase the value to Executives to achieve the retention objective and drive performance.

The fair value of the rights at the date of the grant is determined using an appropriate valuation model. That fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The 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 Group 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 Group 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the *Consolidated Statement of Financial Position* based on their nature.

r) 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.

Management fees

Revenue is recognised upon delivery of the services.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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

Deferred income tax is provided using the liability method 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 re-assessed 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 Group 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.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Other taxes

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

- when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or as part of the cost of acquisition of the asset or 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*. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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.

u) Derivative financial instruments

The Group 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 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.

v) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group 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.

w) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) 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.

Where any group company purchases the Company's equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the owners of AVJennings Limited as treasury shares.

Shares held by the AVJ Deferred Employee Share Plan are disclosed as treasury shares and deducted from contributed equity.

y) 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 functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit and loss. They are deferred in equity if 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 at the dates of the initial transactions. 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(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 *Statement of Financial Position* 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; and
- 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 operation 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.

Notes to the Consolidated Financial Statements

35. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Comparative figures

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

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 Group's financial position as at 30 June 2015 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 35(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 2015.

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 Group identified in note 23 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

28 September 2015

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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 2015, 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 35(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.

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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 2015 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 35(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 23 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
28 September 2015