

# AVJennings Homes Limited

ABN 44 004 327 771

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## Appendix 4E - Preliminary final report For the year ended 31 March 2004

### Results for announcement to the market

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				Consolidated 2004 \$'000
Revenue from ordinary activities	up	4.8%	to	552,464
Profit from ordinary activities after tax attributable to members	up	20.6%	to	68,461
Net profit after tax attributable to members	up	20.6%	to	68,461

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Dividends	Amount per security	Franked amount per security at 30% tax
Final dividend	7.5 cents	7.5 cents
Interim dividend	3.5 cents	3.5 cents
Previous corresponding period		
Final dividend	7.0 cents	7.0 cents
Interim dividend	3.0 cents	3.0 cents

Record date for determining entitlements to dividend

9 July 2004

Payment date

23 July 2004

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### Explanation of results

Please refer to the Review and results of operations section for an explanation of the results

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## **Review and results of operations**

For the year ended 31 March 2004

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### **REVIEW OF OPERATIONS**

Turnover increased during the year with the largest increase in growth arising from the sale of developed lots without housing. The higher proportion of land in the turnover composition accounts for the gross margin on turnover being higher than for the previous year.

The reported profit was the outcome of higher turnover, higher margins on turnover and negligible change in administrative overheads.

Over the reporting period the Company's developable land inventory grew to 8,050 developable lots. The greatest proportion of this growth has been in land subdivision sites, particularly in Queensland and Victoria.

The Company's primary market remains second and subsequent home owners. It is therefore largely unaffected by changes in first home owner and investor activity.

The majority of the Company's sales are developed housing lots or detached housing. About 25% of the Company's development product sales are medium density housing.

Throughout the year just concluded, the Company held negligible quantities of developed land or completed houses. Sales of development products are largely a function of completion rates for developed lots and housing. This has remained the case after recent interest rate rises, although sales of housing are generally later in the construction cycle in comparison to pre-interest rate rise sales.

There are no significant changes since the close of the reporting period and the Company is of the view that sales rates will remain closely linked to production rates for the forthcoming year.

**Statement of financial performance**

For the year ended 31 March 2004

	Note	Consolidated	
		2004 \$'000	2003 \$'000
<b>Revenue from ordinary activities</b>			
Sales revenue	2	550,046	525,821
Other revenue from ordinary activities	2	2,418	1,454
		<b>552,464</b>	<b>527,275</b>
<b>Expenses from ordinary activities</b>			
Operational expenses	3	389,958	383,528
Selling and marketing expenses		30,496	30,671
Administrative expenses		33,575	32,052
Borrowing costs expenses	3	757	344
		<b>97,678</b>	<b>80,680</b>
<b>Profit from ordinary activities before income tax expense</b>		<b>97,678</b>	<b>80,680</b>
Income tax expense	4	29,217	23,927
		<b>68,461</b>	<b>56,753</b>
<b>Net profit attributable to members of the parent entity</b>		<b>68,461</b>	<b>56,753</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>			
		<b>68,461</b>	<b>56,753</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	7	31.81	26.37
Diluted earnings per share	7	31.81	26.37

**Statement of financial position**  
 As at 31 March 2004

		Consolidated	
	Note	2004	2003
		\$'000	\$'000
<b>Current assets</b>			
Cash assets	12	327	14,055
Receivables		11,798	8,944
Accrued income		84,106	62,393
Inventories		232,243	206,812
Other		2,714	2,453
<b>Total current assets</b>		<b>331,188</b>	<b>294,657</b>
<b>Non-current assets</b>			
Inventories		199,340	133,650
Property, plant and equipment		7,693	7,591
Intangible assets		5,645	6,137
<b>Total non-current assets</b>		<b>212,678</b>	<b>147,378</b>
<b>Total assets</b>		<b>543,866</b>	<b>442,035</b>
<b>Current liabilities</b>			
Payables		88,856	94,090
Tax liabilities		7,991	9,981
Interest bearing liabilities	11	25,383	4,949
Provisions		4,944	5,418
<b>Total current liabilities</b>		<b>127,174</b>	<b>114,438</b>
<b>Non-current liabilities</b>			
Payables		54,030	10,936
Interest bearing liabilities	11	83,340	87,798
Deferred tax liabilities		10,961	6,294
Provisions		240	310
<b>Total non-current liabilities</b>		<b>148,571</b>	<b>105,338</b>
<b>Total liabilities</b>		<b>275,745</b>	<b>219,776</b>
<b>Net assets</b>		<b>268,121</b>	<b>222,259</b>
<b>Equity</b>			
Contributed equity	9	79,189	79,189
Reserves		486	486
Retained profits	10	188,446	142,584
<b>Total equity</b>		<b>268,121</b>	<b>222,259</b>

**Statement of cash flows**  
 For the year ended 31 March 2004

	Note	Consolidated	
		2004	2003
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		580,484	552,495
Payments to suppliers, land creditors and employees		(550,521)	(553,470)
Interest received		328	209
Borrowing costs		(7,272)	(4,979)
Income taxes paid		(28,055)	(13,968)
<b>Net cash flows used in operating activities</b>		<b>(5,036)</b>	<b>(19,713)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,124)	(2,594)
Proceeds from sale of property, plant, and equipment		1,055	321
<b>Net cash flows used in investing activities</b>		<b>(2,069)</b>	<b>(2,273)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		113,995	115,234
Repayment of borrowings		(107,398)	(51,270)
Repayment of finance lease principal		(203)	(640)
Dividends paid		(22,599)	(23,675)
<b>Net cash flows from/(used in) financing activities</b>		<b>(16,205)</b>	<b>39,649</b>
<b>Net increase/(decrease) in cash held</b>		<b>(23,310)</b>	<b>17,663</b>
Cash/(overdraft) at the beginning of the financial year		14,055	(3,608)
<b>Cash/(overdraft) at the end of the financial year</b>	12	<b>(9,255)</b>	<b>14,055</b>

**Notes to the financial statements**  
 For the year ended 31 March 2004

**1. BASIS OF PREPARATION**

**a) Basis of accounting**

This Preliminary Final Report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act, 2001.

The accounting policies adopted in preparing the Preliminary Final Report are consistent with those adopted in the previous financial year except as otherwise indicated.

This report does not constitute the full financial report for the year ended 31 March 2004.

**b) Change in accounting policy**

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in accounting policy for the measurement of employee benefit liabilities.

The effect of the change in policy is not significant and no adjustment has been made to the opening retained earnings as a result.

**2. REVENUE**

	Consolidated	
	2004	2003
	\$'000	\$'000
<b>Revenue from operating activities</b>		
Developments	377,751	349,404
Project housing	172,295	176,417
<b>Total revenues from operating activities</b>	<b>550,046</b>	<b>525,821</b>
<b>Revenue from non-operating activities</b>		
Interest received/receivable from:		
- Other persons	328	209
Proceeds from the sale of property, plant and equipment	1,055	321
Management fees	692	582
Sundry income	343	342
<b>Total revenues from non-operating activities</b>	<b>2,418</b>	<b>1,454</b>
<b>Total revenues from ordinary activities</b>	<b>552,464</b>	<b>527,275</b>

**Notes to the financial statements**  
 For the year ended 31 March 2004

3. OPERATING PROFIT	Consolidated	
	2004	2003
	\$'000	\$'000
Profit from ordinary activities before income tax includes the following expenses:		
<b>Operational expenses</b>		
Developments	236,546	231,179
Project housing	136,280	138,686
Other operational expenses	17,132	13,663
<b>Total operational expenses</b>	<b>389,958</b>	<b>383,528</b>
<b>Borrowing costs</b>		
Interest paid to other parties	9,754	5,142
Finance charges relating to finance leases	141	142
	9,895	5,284
Less: Amount capitalised to inventories	9,138	4,940
<b>Borrowing costs expensed</b>	<b>757</b>	<b>344</b>
<b>Depreciation of property, plant and equipment</b>	<b>1,442</b>	<b>1,664</b>
<b>Amortisation</b>		
Brand name	492	492
Property, plant and equipment under finance leases	567	470
Interest capitalised (included in cost of sales)	2,753	2,844
<b>Total amortisation</b>	<b>3,812</b>	<b>3,806</b>
<b>Other (profit)/loss items</b>		
Net loss from the disposal of property, plant and equipment		
Revenue from sale of property, plant and equipment	(1,055)	(321)
Expense from sale of property, plant and equipment	1,013	349
<b>Net (profit)/loss on disposal of property, plant and equipment</b>	<b>(42)</b>	<b>28</b>
Provision for:		
Employee entitlements	2,764	2,958
Bad and doubtful debts - trade debtors	-	12
Rental expenses on operating leases		
Minimum lease payments	5,981	5,175
Inventories		
Reversal of prior period inventory write down	(1,500)	-

**Notes to the financial statements**  
 For the year ended 31 March 2004

4. INCOME TAX	Consolidated	
	2004 \$'000	2003 \$'000
<b>Profit from ordinary activities before income tax expense</b>	<b>97,678</b>	<b>80,680</b>
Income tax calculated @ 30% (2003 : 30%)	29,303	24,204
Tax effect of permanent differences:		
Other non deductible items and variations	217	80
Items relating to the previous acquisition of controlled entities	(449)	(844)
Tax attributable to sale of business	-	600
Income tax adjusted for permanent differences	29,071	24,040
Under/(over) provision in prior year	146	(113)
<b>Income tax expense</b>	<b>29,217</b>	<b>23,927</b>

**5. COMPARISON OF HALF YEAR PROFITS**

Consolidated profit from ordinary activities after tax attributable to members reported for the first half year	38,983	20,373
Consolidated profit from ordinary activities after tax attributable to members reported for the second half year	29,478	36,380
<b>Consolidated profit from ordinary activities after tax attributable to members</b>	<b>68,461</b>	<b>56,753</b>

**6. DIVIDENDS**

	Cents per share	Total amount \$'000	Date of payment	Percentage franked at 30% tax
<b>2004</b>				
Final - Ordinary	7.5	16,142	23-Jul-04	100%
Interim - Ordinary	3.5	7,533	16-Dec-03	100%
<b>Total dividend</b>		<b>23,675</b>		
<b>2003</b>				
Final - Ordinary	7.0	15,066	25-Jul-03	100%
Interim - Ordinary	3.0	6,457	16-Dec-02	100%
<b>Total dividend</b>		<b>21,523</b>		



**Notes to the financial statements**  
 For the year ended 31 March 2004

7. EARNINGS PER SHARE	Consolidated	
	2004	2003
	\$'000	\$'000

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

Net profit	68,461	56,753
Earnings used in the calculating basic and diluted earnings per share	68,461	56,753

	2004	2003
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	215,226,332	215,226,332
Weighted average number of ordinary shares used in calculating diluted earnings per share	215,226,332	215,226,332

	2004	2003
	Cents	Cents
Basic earnings per share	31.81	26.37
Diluted earnings per share	31.81	26.37

**8. NET TANGIBLE ASSET PER SHARE**

Net tangible asset backing per ordinary share	121.95	100.42
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**9. CONTRIBUTED EQUITY**

	Consolidated	
	2004	2003
	\$'000	\$'000

Issued and fully paid ordinary shares	79,189	79,189
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	2004	2003
	Number	Number
Shares on issue at beginning and end of financial year	215,226,332	215,226,332

**Notes to the financial statements**  
 For the year ended 31 March 2004

10. RETAINED PROFITS	Consolidated	
	2004 \$'000	2003 \$'000
Retained profits at beginning of the year	142,584	109,527
Net profit for the year	68,461	56,753
Dividends paid	(22,599)	(23,675)
Transfer from reserves	-	(21)
<b>Retained profits at the end of the year</b>	<b>188,446</b>	<b>142,584</b>

**11. INTEREST BEARING LIABILITIES**

**Current - unsecured**

Lease liabilities	793	1,105
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**Current - secured**

Bank overdraft	Note 12	9,582	-
Bank loans		15,008	3,844
		24,590	3,844

<b>Total current interest bearing liabilities</b>		<b>25,383</b>	<b>4,949</b>
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**Non-current**

Bank loans - secured		82,553	87,120
Lease liabilities - unsecured		787	678

<b>Total non-current interest bearing liabilities</b>		<b>83,340</b>	<b>87,798</b>
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**12. CASH FLOW INFORMATION**

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash assets		327	14,055
Bank overdraft	Note 11	(9,582)	-
		<b>(9,255)</b>	<b>14,055</b>

**13. ACQUISITION OF CONTROLLED ENTITIES**

On 15 May 2003, AVJennings Homes Limited acquired control of Lorak Pty Limited and Lyndava Pty Limited. Both of these entities are non-trading and made no contribution to the reporting entity's profit from ordinary activities for the year ended 31 March 2004.

**Notes to the financial statements**  
 For the year ended 31 March 2004

**14. SEGMENT INFORMATION**

The consolidated entity operates primarily in residential land development and project house building and reports by business segment. It operates wholly within the geographic region of Australia.

<i>Business segments</i>	<b>Developments</b>		<b>Project housing</b>		<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Segment revenue</b>	377,751	349,404	172,295	176,417	550,046	525,821
Non-segment revenue					2,418	1,454
<b>Total revenue</b>					552,464	527,275
<b>Segment results</b>	92,963	77,870	4,867	5,654	97,830	83,524
Non-segment results					605	(2,500)
Non-segment interest expense					(757)	(344)
<b>Consolidated operating profit</b>					97,678	80,680
<b>Total segment assets</b>	499,958	390,594	27,958	19,766	527,916	410,360
Non-segment assets					15,950	31,675
<b>Total assets</b>					543,866	442,035
<b>Total segment liabilities</b>	122,575	81,242	22,216	14,599	144,791	95,841
Non-segment liabilities					130,954	123,935
<b>Total liabilities</b>					275,745	219,776

**Segments are classified as follows:**

**Developments:** land development activity or construction of dwellings on land owned by the consolidated entity or in which the consolidated entity has an interest.

**Project housing:** construction undertaken under a Home Building Agreement on land not owned by the consolidated entity

**Notes to the financial statements**  
 For the year ended 31 March 2004

15. OTHER INFORMATION	Consolidated	
	2004	2003
	\$'000	\$'000

**a) Details of aggregate share of profits of associates and joint venture entities:**

Profit from ordinary activities before tax	5,068	1,158
Income tax on ordinary activities	1,520	348
Profit on ordinary activities after tax	3,548	810
<b>Share of net profit of associates and joint venture entities</b>	<b>3,548</b>	<b>810</b>

**b) Interests in entities which are not controlled entities:**

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	2004	2003	2004	2003
Equity accounted associates and joint venture entities	%	%	\$'000	\$'000
Jannali Joint Venture	50%	50%	-	682
Regatta Waters/Parklake				
Joint Venture	50%	50%	3,088	145
Springbank Joint Venture	50%	50%	460	(17)
<b>Total</b>			<b>3,548</b>	<b>810</b>

## Annual Meeting

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The annual meeting will be held as follows:

Place: InterContinental Sydney  
117 Macquarie Street  
Sydney NSW 2000

Date: Wednesday, 11 August 2004

Time: 10am

Approximate date the annual report will be available: 12 July 2004

### COMPLIANCE STATEMENT

1. This report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, Corporations Act 2001 and other standards acceptable to the Australian Stock Exchange.
2. This report and the financial statements upon which the report is based, use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on financial statements that are in the process of being audited, and therefore, no audit report has been attached.
5. AVJennings Homes Limited has a formally constituted audit committee.



**Louis F Milkovits**  
**Managing Director**

Melbourne  
Date: