AVJennings Homes Limited
ABN: 44 004 327 771

30 September 2005 Half-Year Report
Appendix 4D

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 31 March 2005 and any public announcements made by AVJennings Homes Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Stock Exchange.

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AVJennings®

Results for Announcement to the Market

HALF-YEAR ENDED 30 SEPTEMBER 2005

	6 months to 30 September 2005 $'000	2004 $'000	Change $'000	Change %
Revenue from ordinary activities	235,169	260,018	(24,849)	(10%)
Profit from ordinary activities after tax attributable to members	8,903	28,008	(19,105)	(68%)
Net profit for the period attributable to members	8,903	28,008	(19,105)	(68%)

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend	2.5 cents	2.5 cents
Previous corresponding period	3.5 cents	3.5 cents

Record date for determining entitlements to dividend:	11 January 2006
Payment date:	20 January 2006

Explanation of results

Please refer to the Review of Operations section of the attached Directors' Report for an explanation of the results.

Directors' Report

For the half-year ended 30 September 2005

Your Directors present their Report on the Company and its controlled entities for the half-year ended 30 September 2005.

DIRECTORS

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

Simon Cheong

Louis F Milkovits

Peter K Summers

Elizabeth Sam

Herman Hochstadt

David Tsang

Bobby Chin (appointed 18 October 2005)

Bruce G Hayman (appointed 18 October 2005)

REVIEW OF OPERATIONS

Profitability reduced predominantly due to reduced margins and increased marketing expenditure, reflecting a continuation of weak market conditions experienced over the past 18 months, particularly in New South Wales.

In line with the transition to AIFRS, the Company changed its accounting policy with regards to revenue recognition on the sale of developments product. In prior periods the Company applied the requirements of Urgent Issues Group Consensus View Abstract 53 'Pre-Completion Contracts for the Sale of Residential Development Properties' (UIG53) whereby revenue and profit on the sale of developments products was recognised in the accounts on a 'percentage of completion' basis when an unconditional sales contract existed. UIG53 no longer applies under AIFRS and the Company now generally recognises revenue on settlement in accordance with AASB118 'Revenue'. The comparative numbers have been restated in accordance with the requirements of AASB1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. The effect of the change in accounting policy was to increase the comparative period's revenue by $24.4 million and its profit after tax by $6.4 million. The accounting treatment for revenue recognition is discussed in further detail in the half-year accounts.

The Company changed, with effect from 1 April 2005, its accounting policy relating to the treatment of rates and land taxes. The Company now capitalises these holding costs to inventory instead of expensing them in the income statement when incurred as was the practice in previous reporting periods. The change in accounting policy better reflects the nature of these costs as the Company moves towards larger, longer term projects. The effect of the change in accounting policy was to increase the profit after tax in the current period by $2.7 million and in the prior comparative period by $2.2 million. The comparative numbers have been restated in accordance with the requirements of AASB1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. The accounting treatment of holdings costs is discussed in further detail in the half-year accounts.

Directors' Report

For the half-year ended 30 September 2005

EVENTS AFTER BALANCE SHEET DATE

Subsequent to the end of the reporting period, the Directors have declared an interim dividend of 2.5 cents per share, fully franked. The dividend is payable on 20 January 2006. Except for the declaration of the interim dividend discussed in this report and Note 3, no other matter or circumstance has arisen since 30 September 2005 that has significantly affected, or may significantly affect:

i) the consolidated entity's operations in the future financial periods; or
ii) the results of those operations in future financial periods; or
iii) the consolidated entity's state of affairs in future financial years.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report and financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITORS INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young:

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of AVJennings Homes Limited

In relation to our review of the financial report of AVJennings Homes Limited for the half-year ended 30 September 2005, 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.

Er + Yoy

Ernst & Young

Christopher George
Partner

11 November 2005

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

Louis Milkovits
Director

11 November 2005

Condensed Income Statement
For the half-year ended 30 September 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000
Revenue	2	235,169	260,018
Cost of sales		(175,742)	(181,254)
Other operational expenses		(6,807)	(6,122)
Other income	2	865	715
Advertising expenses		(9,320)	(5,851)
Display costs		(3,062)	(2,464)
Employee expenses		(22,171)	(20,004)
Depreciation and amortisation expense		(1,296)	(1,186)
Finance costs	2	(188)	(244)
Other expenses		(4,771)	(3,680)
Profit before income tax		**12,677**	**39,928**
Income tax expense relating to ordinary activities		(3,774)	(11,920)
Profit after tax from continuing operations		**8,903**	**28,008**
Profit/(loss) from discontinued operations		-	-
Net profit for the period		**8,903**	**28,008**
Profit attributable to minority interest		-	-
Net profit attributable to members of parent		**8,903**	**28,008**

	Cents	Cents
Basic earnings per share	4.14	13.01
Diluted earnings per share	4.14	13.01

Condensed Balance Sheet
As at 30 September 2005

	Note	Consolidated 30 September 2005 $'000	31 March 2005 $'000
CURRENT ASSETS			
Cash and cash equivalents		1,866	145
Trade and other receivables		9,002	12,780
Inventories		295,314	316,479
Tax asset		3,525	387
Other current assets		4,338	2,533
Total current assets		**314,045**	**332,324**
NON-CURRENT ASSETS			
Inventories		296,080	281,367
Property, plant and equipment		7,161	7,871
Intangible assets		4,907	5,153
Total non-current assets		**308,148**	**294,391**
Total assets		**622,193**	**626,715**
CURRENT LIABILITIES			
Trade and other payables		86,319	90,606
Interest bearing liabilities		7,934	26,242
Short-term provisions		6,280	5,432
Total current liabilities		**100,533**	**122,280**
NON-CURRENT LIABILITIES			
Trade and other payables		63,800	78,190
Interest bearing liabilities		189,719	153,073
Deferred tax liabilities		11,247	9,081
Long-term provisions		304	262
Total non-current liabilities		**265,070**	**240,606**
Total liabilities		**365,603**	**362,886**
Net assets		**256,590**	**263,829**
EQUITY			
Issued capital	4	79,189	79,189
Reserves		486	486
Retained earnings		176,915	184,154
Total equity		**256,590**	**263,829**

Condensed Cash Flow Statement
For the half-year ended 30 September 2005

	Note	Consolidated 2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		262,286	235,408
Payments to suppliers, land vendors and employees		(250,007)	(241,605)
Interest received		133	175
Interest and other finance costs paid		(7,819)	(5,526)
Income taxes paid		(4,747)	(10,812)
Net cash used in operating activities		(154)	(22,360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		307	-
Payments for property, plant and equipment		(629)	(2,147)
Net cash used in investing activities		(322)	(2,147)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		94,801	87,238
Repayment of borrowings		(66,379)	(43,968)
Dividends paid		(16,142)	(16,142)
Other		-	177
Net cash provided by financing activities		12,280	27,305
NET DECREASE IN CASH HELD		11,804	2,798
Cash at 1 April 2005		(9,938)	(9,255)
CASH AT 30 SEPTEMBER 2005	5	**1,866**	**(6,457)**

Condensed Statement of Changes in Equity
For the half-year ended 30 September 2005

CONSOLIDATED	*Attributable to equity holders of the parent*			*Total equity*
	Issued capital	*Share option reserve*	*Retained earnings*	
	$'000	*$'000*	*$'000*	*$'000*
At 1 April 2004	79,189	486	164,281	243,956
Profit for the period			28,008	28,008
Dividends			(16,142)	(16,142)
At 30 September 2004	79,189	486	176,147	255,822

CONSOLIDATED	*Attributable to equity holders of the parent*			*Total equity*
	Issued capital	*Share option reserve*	*Retained earnings*	
	$'000	*$'000*	*$'000*	*$'000*
At 1 April 2005	79,189	486	184,154	263,829
Profit for the period			8,903	8,903
Dividends			(16,142)	(16,142)
At 30 September 2005	79,189	486	176,915	256,590

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of AVJennings Homes Limited as at 31 March 2005. It is also recommended that the half-year financial report be considered together with any public announcements made by AVJennings Homes Limited and its controlled entities during the half-year ended 30 September 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half-year financial report is prepared on the basis of historical costs and except where stated, does not take into account current valuations of non-current assets.

b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’). Compliance with AIFRS ensures that the half-year financial reports, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards (‘IFRS’). This is the first half-year financial report prepared based on AIFRS and comparatives for the first half-year ended 30 September 2004 and full-year ended 31 March 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(d) below.

Reconciliations of:

- AIFRS equity as at 1 April 2004, 30 September 2004 and 31 March 2005; and
- AIFRS profit for the half-year 30 September 2004 and full-year 31 March 2005,

to the balances reported in the 30 September 2004 half-year financial report and 31 March 2005 full-year financial report prepared under Australian Accounting Standards applicable before 1 January 2005 (‘AGAAP’) are detailed in Note 1(f) below.

c) Comparative information

Where applicable, certain comparative numbers have been restated in order to comply with the current period’s presentation of the financial statements.

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

d) Summary of significant accounting policies

i) Basis of consolidation

The consolidated financial statements comprise the financial statements of AVJennings Homes Limited and its subsidiaries (the 'Group'). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group has control.

ii) Interest in joint venture operations

The Group's interests in its joint venture operations are accounted for by recognising the Group's assets and liabilities from the joint ventures, as well as expenses incurred by the Group and the Group's share of income earned from the joint ventures, in the consolidated financial statements.

iii) Property, plant and equipment

All classes of property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. 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 (held under finance lease)	2-4 years
Leasehold improvements	10 years

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

iv) Borrowing costs

Borrowing costs include interest, amortisation or discounts or premiums relating to borrowings, and other costs incurred in connection with the arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the borrowing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or development of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing.

v) Intangible assets

Intangible assets acquired separately are capitalised at cost, and if acquired as a result of a business combination, capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to all classes of intangible assets. The useful lives of the intangible assets are assessed to be either finite or infinite. Where amortisation is charged on intangible assets with finite lives, this expense is taken to the income statement through the 'depreciation and amortisation expense' line item. Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policy applied to the Group's intangible asset is as follows:

Type of asset – AVJennings brand name, acquired through the acquisition of AVJennings Holdings Limited by Long Homes Limited in September 1995.

Useful life of the asset – finite (20 years commencing 1995).

Amortisation method used – straight line.

Impairment testing – amortisation method and indicators of impairment are reviewed at least annually.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the intangible asset is derecognised.

vi) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

vii) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, cost of all materials used in construction, cost of providing utilities, as well as holding and borrowing costs incurred during construction. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

viii) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Settlement terms for trade receivables are:

Development housing and land sales – generally between 30 and 180 days

Contract building (progress billing) – generally between 7 and 30 days

ix) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprises cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

x) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

xi) Provisions

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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where 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 any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

xii) Employee benefits

The liability for employees' benefits to wages, salaries and annual leave is accrued to balance date based on the Group's present obligation to pay resulting from the employees' services provided. The liability for employees' benefits to long service leave is provided to balance date based on the present values of the estimated future cash flows to be paid by the Group resulting from the employees' services provided.

xiii) Superannuation - defined contributions

Contributions to superannuation plans are recognised as an expense in the income statement when the contributions are paid or become payable.

xiv) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are recognised in the income statement in the period in which they are incurred. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

xv) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances as well as duties and taxes paid. The following criteria are generally applied before revenue is recognised:

Developments

Revenue and profits on sales of completed land, houses or apartments relating to developments, are generally brought to account on settlement.

Contract building

Contract building relates to Home Building Agreements and similar, whereby a company within the Group contracts to construct a house or other residential construction service. Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Stage of completion is assessed in accordance with documented Group operating procedures. 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 in the income statement in the period in which the loss arises.

Other revenues

All other revenues are recognised on an accrual basis.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

xvi) Income tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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 assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

xvii) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ('GST') except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- trade receivables and payables 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 balance sheet.

Cash flows are included in the cash flow statement 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, are classified as operating cash flows.

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

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

xviii) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The Group enters into interest rate swap agreements that are used to cap a portion of the variable interest rate borrowings at a cap rate. The swaps are entered into with the objective of capping the risk of interest rate fluctuations in respect of underlying borrowings. Derivatives entered into to reduce exposures to fluctuations in floating interest rates may be accounted for as cash flow hedges provided the hedge designation, documentation and effectiveness tests can be met. If these tests are satisfied then the hedging derivative is measured at fair value and gains or losses are reflected directly in equity until the hedged transaction occurs, when they are released to the income statement. To the extent that the hedges do not qualify for hedge accounting then gains or losses arising from changes in fair value are reflected in the income statement in the period in which the changes occur.

xix) Rounding of amounts

The Group is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report and financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

e) AASB1 transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

i) Business combinations

AASB3 'Business Combinations' was not applied retrospectively to past business combinations undertaken before the date of transition to AIFRS.

ii) Exemption from the requirement to restate comparative information for AASB132 and AASB139

The Group has taken the exemption available under AASB1 to apply AASB132 'Financial Instruments: Presentation and Disclosure' and AASB139 'Financial Instruments: Recognition and Measurement' for reporting periods commencing on or after 1 January 2005. The Group has applied previous AGAAP in the comparative information on the financial instruments within the scope of AASB132 and AASB139. For further information on previous AGAAP treatment of financial instruments refer to the annual report for the year ended 31 March 2005.

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

f) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below.

i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated		
	31 March 2005 $'000	**30 September 2004 $'000**	**1 April 2004 $'000**
Total equity under AGAAP	271,897	271,375	268,121
Adjustments to equity			
Revenue recognition policy change (i)	(11,021)	(16,135)	(22,471)
Tax effecting the brand name (ii)	(1,546)	(1,620)	(1,694)
Holding costs policy change (iii)	4,499	2,202	-
Total equity under AIFRS	263,829	255,822	243,956

(i) Prior to the transition to AIFRS, the Group recognised revenues and profits for development project sales per the requirements of Urgent Issues Group Consensus View Abstract 53 "Pre-Completion Contracts for the Sale of Residential Development Properties" (UIG53), whereby revenues and profits on the sale of development project sales were recognised on the "percentage of completion" basis when an unconditional sales contract existed. In the last annual report (31 March 2005) the Group indicated in its AASB1047 disclosure that under AIFRS, UIG53 was no longer applicable and that the Group would recognise revenue and profit for development project sales when a signed contract of sale became unconditional and the product sold was practically complete. This was the basis applied by the Group for revenue and profit recognition prior to the introduction of UIG53. Following further analysis of AIFRS standards and recent industry interpretation of AASB118 "Revenue", it has been decided to recognise revenue on a settlement basis.

(ii) Under AIFRS standard AASB112 "Income Tax", a deferred tax liability must now be recognised with respect to the acquisition of the AVJennings brand name.

(iii) The Group changed, with effect from 1 April 2005, its accounting policy relating to the treatment of rates and land taxes. The Group now capitalises these holding costs to inventory instead of expensing them in the income statement when incurred as was the practice in previous reporting periods. The change in accounting policy better reflects the nature of these costs as the Group moves towards larger, longer term projects. The change in accounting policy was adopted as a voluntary choice as part of the transition to AIFRS.

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT *(CONTINUED)*

f) Impact of adoption of AIFRS (continued)

ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Consolidated	
	Year ended 31 March 2005 $'000	**Half-year ended 30 September 2004 $'000**
Profit after tax as previously reported	27,451	19,397
Revenue recognition policy change (i)	11,450	6,336
Tax effecting the brand name (ii)	147	73
Holding costs policy change (iii)	4,499	2,202
Total profit after tax under AIFRS	43,547	28,008

(i) Prior to the transition to AIFRS, the Group recognised revenues and profits for development project sales per the requirements of Urgent Issues Group Consensus View Abstract 53 "Pre-Completion Contracts for the Sale of Residential Development Properties" (UIG53), whereby revenues and profits on the sale of development project sales were recognised on the "percentage of completion" basis when an unconditional sales contract existed. In the last annual report (31 March 2005) the Group indicated in its AASB1047 disclosure that under AIFRS, UIG53 was no longer applicable and that the Group would recognise revenue and profit for development project sales when a signed contract of sale became unconditional and the product sold was practically complete. This was the basis applied by the Group for revenue and profit recognition prior to the introduction of UIG53. Following further analysis of AIFRS standards and recent industry interpretation of AASB118 "Revenue", it has been decided to recognise revenue on a settlement basis.

(ii) Under AIFRS standard AASB112 "Income Tax", a deferred tax liability must now be recognised with respect to the acquisition of the AVJennings brand name.

(iii) The Group changed, with effect from 1 April 2005, its accounting policy relating to the treatment of rates and land taxes. The Group now capitalises these holding costs to inventory instead of expensing them in the income statement when incurred as was the practice in previous reporting periods. The change in accounting policy better reflects the nature of these costs as the Group moves towards larger, longer term projects. The change in accounting policy was adopted as a voluntary choice as part of the transition to AIFRS.

iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

2. REVENUE AND EXPENSES

Profit from ordinary activity before income tax includes the following revenues expenses

	Consolidated	
	2005	**2004**
	$'000	**$'000**
Revenue from operating activities		
Developments	150,811	150,497
Contract building	84,358	109,521
Total revenues from operating activities	**235,169**	**260,018**
Revenue from non-operating activities		
Interest received/receivable from:		
- Other persons	133	175
Gain on disposal of property, plant and equipment	18	9
Management fees	394	403
Sundry income	320	128
Total revenues from non-operating activities	**865**	**715**
Total revenues from ordinary activities	**236,034**	**260,733**
Borrowing costs		
Interest paid to third parties	7,819	5,449
Less: Amount capitalised to inventories	(7,631)	(5,205)
Borrowing costs expensed	**188**	**244**

Amortisation of borrowing costs previously capitalised to inventories and included in cost of sales was $2.6million (2004: $1.0million).

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2005

3. DIVIDENDS PAID AND PROPOSED

	Consolidated 2005 $'000	Consolidated 2004 $'000
Equity dividends on ordinary shares:		
(a) Dividends paid during the half-year		
Final dividend - fully franked for financial year 31 March 2005: 7.5 cents paid 21 July 2005	16,142	
Final dividend - fully franked for financial year 31 March 2004: 7.5 cents paid 23 July 2004		16,142
	16,142	16,142
(b) Dividends proposed and not recognised as a liability		
Interim dividend - fully franked for financial year 31 March 2006: 2.5 cents to be paid 20 January 2006	5,381	
Interim dividend - fully franked for financial year 31 March 2005: 3.5 cents paid 16 December 2004		7,533
	5,381	7,533

4. ISSUED CAPITAL

	Consolidated 30 September 2005 $'000	Consolidated 31 March 2005 $'000
Issued and fully paid ordinary shares	79,189	79,189
	Number	*Number*
Shares on issue at beginning and end of financial year	215,226,332	215,226,332

5. RECONCILIATION OF CASH

	Consolidated 30 September 2005 $'000	Consolidated 30 September 2004 $'000
Cash at bank and in hand	1,866	206
Bank overdraft	-	(6,663)
	1,866	**(6,457)**

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2005

6. SEGMENT REPORTING

With effect from 1 April 2005 the Group redefined its business segments. Restatement of the comparative information for Developments was impracticable. In accordance with AASB 114 "Segment Information", information for both the old and new bases of segmentation has been shown.

Current Segmentation

The following table presents the revenue and profit information regarding business segments for the half-year period ended 30 September 2005. During the preceding reporting period the Group was internally restructured to facilitate growth in each of its core development and housing activities, resulting in the following business segments:

Land Development: Builders buy land from AVJennings onto which they package their building products, or end customers buy land from an AVJennings estate and choose their own builder.
Integrated Housing and Apartments Development: The customer buys a completed home, townhouse or apartment within an AVJennings development.
Contract Building: The customer contracts to build a home with AVJennings on land they have sourced themselves.

Business segments	**Land**	**Integrated Housing / Apartments**	**Contract Building**	**Eliminations**	**Consolidated**
	2005	**2005**	**2005**	**2005**	**2005**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue					
External sales	70,369	80,442	84,358		235,169
Inter-segment transaction	1,300	-	-	(1,300)	-
Total revenue	**71,669**	**80,442**	**84,358**	**(1,300)**	**235,169**
Segment results					
Segment results	18,342	6,532	(112)		24,762
Inter-segment transaction	143			(143)	-
Non-segment revenue					268
Non-segment expenses					(12,164)
Non-segment interest expense					(189)
Consolidated operating profit	**18,485**	**6,532**	**(112)**	**(143)**	**12,677**
Total segment assets	394,932	167,577	37,835		600,344
Inter-segment transaction			143	(143)	-
Non-segment assets					21,849
Total assets	**394,932**	**167,577**	**37,978**	**(143)**	**622,193**
Total segment liabilities	83,405	10,014	16,446		109,865
Non-segment liabilities					255,738
Total liabilities	**83,405**	**10,014**	**16,446**	**-**	**365,603**

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2005

6. SEGMENT REPORTING *(CONTINUED)*

Prior Period Segmentation

Segments were 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.
Contract Housing: Construction is undertaken under a Home Building Agreement on land not owned by the Group.

Business segments	**Developments**		**Contract Housing**		**Eliminations**	**Consolidated**	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**	**$'000**	**2005 $'000**	**2004 $'000**
Segment revenue							
External sales	150,811	150,497	84,358	109,521		235,169	260,018
Inter-segment transaction	1,300				(1,300)	-	-
Total revenue	**152,111**	**150,497**	**84,358**	**109,521**	**(1,300)**	**235,169**	**260,018**
Segment results							
Segment results	24,874	46,117	(112)	4,510		24,762	50,627
Inter-segment transaction	143				(143)	-	-
Non-segment revenue						268	83
Non-segment expenses						(12,164)	(10,538)
Non-segment interest expense						(189)	(244)
Consolidated operating profit	**25,017**	**46,117**	**(112)**	**4,510**	**(143)**	**12,677**	**39,928**
Total segment assets	562,509	529,913	37,835	12,466		600,344	542,379
Inter-segment transaction			143		(143)	-	-
Non-segment assets						21,849	17,003
Total assets	**562,509**	**529,913**	**37,978**	**12,466**	**(143)**	**622,193**	**559,382**
Total segment liabilities	93,419	120,580	16,446	15,885		109,865	136,465
Non-segment liabilities						255,738	167,094
Total liabilities	**93,419**	**120,580**	**16,446**	**15,885**	**-**	**365,603**	**303,559**

In line with the redefinition of business segments the allocation of overheads have been reviewed and a number of costs not deemed to be specific business segment costs have been allocated to non-segment expenses. The comparative numbers have been restated in accordance with this change.

7. NET TANGIBLE ASSET BACKING

	Consolidated	
	2005	2004
	$'000	$'000
Net Tangible Asset backing (NTA) - cents per ordinary security	117.6 cents	117.1 cents

8. MATERIAL 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)	
Equity accounted associates and joint venture entities	Current period %	Previous corresponding period %	Current period $'000	Previous corresponding period $'000
Regatta Waters/Parklake Joint Venture	50%	50%	2,184	2,231
Springbank Joint Venture	50%	50%	1,287	567
Total			**3,471**	**2,798**
Other material interests			-	-
Total			**3,471**	**2,798**

No control has been gained or lost over entities that may have a material effect on the results of the Group (2004: NIL).

9. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change to any contingent liabilities or contingent assets.

10. EVENTS AFTER BALANCE SHEET DATE

Except for the declaration of the interim dividend discussed in the Directors' Report and Note 3, no other matter or circumstance has arisen since 30 September 2005 that has significantly affected, or may significantly affect:

i) the Group's operations in the future financial periods; or
ii) the results of those operations in future financial periods; or
iii) the Group's state of affairs in future financial years.

Directors' Declaration
For the half-year ended 30 September 2005

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

In the opinion of the directors:

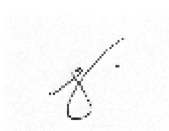
a) The financial statements and notes of the consolidated entity:

   (i) give a true and fair view of the consolidated entity's financial position at 30 September 2005 and performance, for the half-year ended on that date; and

   (ii) comply with Accounting Standard AASB134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board.



Louis Milkovits
Director

11 November 2005

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Independent review report to members of AVJennings Homes Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements and the other information set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules for the consolidated entity comprising both AVJennings Homes Limited (the company) and the entities it controlled during the half-year, and the directors' declaration, for the company, for the half-year ended 30 September 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the ASX Listing Rules as they relate to Appendix 4D, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity AVJennings Homes Limited and the entities it controlled during the half-year is not in accordance with:

(a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the consolidated entity at 30 September 2005 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young

Christopher George
Partner
Brisbane
11 November 2005