AVJennings Limited

(formerly AVJennings Homes Limited)

ABN: 44 004 327 771

31 March 2006 Preliminary Final Report
Appendix 4E

The 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 half-year report for the half-year ended 30 September 2006 and any public announcements made by AVJennings Limited during the year ended 31 March 2006 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Stock Exchange.

Contents

AVJennings Limited

(formerly AVJennings Homes Limited)

Results for Announcement to the Market

Appendix 4E – Preliminary Final Report

For the year ended 31 March 2006

	2006 $'000	2005 $'000	Change $'000	Change %
Revenue	460,596	477,224	(16,628)	(3%)
Net profit for the period	16,200	43,547	(27,347)	(63%)
Net profit attributable to members of the parent	16,200	43,547	(27,347)	(63%)

Dividends	Amount per security	Franked amount per security at 30% tax
Final dividend	5.0 cents	5.0 cents
Interim dividend	2.5 cents	2.5 cents
Previous corresponding period		
Final dividend	7.5 cents	7.5 cents
Interim dividend	3.5 cents	3.5 cents

Record date for determining entitlements to dividend:	4 August 2006
Payment date:	15 August 2006

The Company's Dividend Reinvestment Plan (DRP) has been re-activated. Please refer to note 3 for the details.

Last date for receipt of a DRP election notice:	1 August 2006

Explanation of results

The 2005 comparative numbers shown above and throughout this report have been restated in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AIFRS). A reconciliation of the restated profit after tax of $43.547million to last year's reported result for the same period of $27.451million is provided in note 1(b) to this preliminary final report.

For a further explanation of the results, please refer to the Review of Operations section.

Review and results of operations
For the year ended 31 March 2006

Operations:

Developments turnover increased during the course of the year, however development margins have fallen significantly. The margin erosion was most evident in New South Wales where there have been appreciable price reductions in housing and substantial increases in both local government and state government charges.

Contract Building margins were maintained at approximately previous year levels, however turnover has fallen. The reduction in turnover was particularly evident in New South Wales where market activity has slowed more than in any other state. This was especially the case in that segment of the market where purchasers wish to upgrade their homes.

In consequence, the reported profit outcome is largely a result of reduced margins on increased developments turnover and a reduction in Contract Building turnover.

The Company has reviewed its pricing, product and marketing strategy for Contract Building during the course of the year. Such changes as necessary have been implemented and the contract signings rate from this segment has increased appreciably. However, because of the forward contracting nature of this business, it will take some months for the increased sales to be reflected in increased turnover.

Subject to meeting the market on price, developments sales have been largely limited by production rates. The Company holds relatively low levels of completed and unsold development housing or vacant lots.

Debt:

Debt levels were the same as at the end of the previous corresponding period but substantially less than at the end of the half year. The debt reduction in the second half was as a result of increased development sales and settlements, but at some expense to margin.

The debt shown in the accounts is recorded as a current liability. This arises due to the Company marginally not achieving one of its financial banking conditions which in turn was a function of the timing of profit recognition on sales. Although shown as a current liability in the accounts, there is no requirement to repay the debt in the next 12 months. Further details are set out in note 9 to this Preliminary Final Report.

Inventory:

The Company's developable land inventory has fallen from some 10,000 lots to 8,800 lots or lot equivalents under control. The Company's acquisitions were limited by a wish to contain debt rather than the absence of opportunity. Development site acquisition opportunities are becoming increasingly abundant in the presently depressed housing industry environment in the eastern states.

Review and results of operations (continued)

For the year ended 31 March 2006

Prospects:

The Company expects to continue increasing its developments sales, but in the short term expects margins to remain under pressure, particularly in Sydney. The Company also expects Contract Building contract signings to substantially increase when compared to the year just completed.

While the market, particularly in terms of realisable margins, has been poor for the period just completed, the longer term outlook remains favourable. There is a major under supply in the market in general, but particularly in Sydney where various government policies have discouraged investor participation and have impacted adversely on affordability for home owners. The shortfall in supply relative to underlying demand is unsustainable and the Company's increased focus on developments leaves it well positioned for the inevitable cyclical up-turn.

AVJennings zoned development sites are increasingly located in Victoria and Queensland, making it less dependent on the New South Wales market. The AVJennings land-bank of some 8,800 lots spread across four states will provide a solid platform for future earnings growth.

Dividend:

The final dividend for the year will be 5.0 cents per share making total dividends for the year 7.5 cents per share, fully franked. The Company has also reintroduced its Dividend Reinvestment Plan which will allow shareholders the option of either taking a cash dividend or reinvesting in the Company. Any funds reinvested will be applied to expanding the Company's development activities.

Change in Year End:

The Company has received approval from ASIC to change its year end to 30 June. This is largely to overcome revenue recognition timing uncertainties given that the Company's peak selling months are February and March. Additionally, the Company's present year end reporting date is uncommon and the changed date will simplify compliance and reporting.

Change in Company Name:

On 17 March 2006 the Company changed its name from AVJennings Homes Limited to AVJennings Limited.

Other:

There are no significant changes since the close of the reporting period, other than as disclosed in this report.

Condensed Income Statement

For the year ended 31 March 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000
Revenue	2	460,596	477,224
Cost of sales		(351,225)	(335,940)
Other operational expenses		(4,799)	(4,201)
Other revenue	2	1,897	1,894
Advertising expenses		(16,821)	(14,990)
Display costs		(6,458)	(5,781)
Employee expenses		(43,124)	(39,683)
Depreciation and amortisation expense		(2,498)	(2,395)
Finance costs	2	(354)	(435)
Other expenses		(13,880)	(14,278)
Profit before income tax		**23,334**	**61,415**
Income tax expense		(7,134)	(17,868)
Net profit attributable to members of the parent		**16,200**	**43,547**

	Cents	Cents
Basic earnings per share	7.53	20.23
Diluted earnings per share	7.53	20.23

Condensed Balance Sheet

As at 31 March 2006

	Note	Consolidated 2006 $'000	2005 $'000
CURRENT ASSETS			
Cash and cash equivalents		107	145
Trade and other receivables		11,921	12,780
Inventories		348,252	316,479
Tax asset		1,947	387
Other current assets		3,247	2,533
Total current assets		**365,474**	**332,324**
NON-CURRENT ASSETS			
Trade and other receivables		1,945	-
Inventories		214,579	281,367
Property, plant and equipment		6,679	7,871
Intangible assets		4,661	5,153
Total non-current assets		**227,864**	**294,391**
Total assets		**593,338**	**626,715**
CURRENT LIABILITIES			
Trade and other payables		107,568	91,105
Interest bearing liabilities	9	178,321	26,242
Provisions		4,448	4,933
Total current liabilities		**290,337**	**122,280**
NON-CURRENT LIABILITIES			
Trade and other payables		30,257	78,190
Interest bearing liabilities	9	557	153,073
Deferred tax liabilities		13,416	9,081
Provisions		265	262
Total non-current liabilities		**44,495**	**240,606**
Total liabilities		**334,832**	**362,886**
Net assets		**258,506**	**263,829**
EQUITY			
Issued capital	4	79,189	79,189
Retained earnings		179,317	184,640
Total equity		**258,506**	**263,829**

Condensed Cash Flow Statement

For the year ended 31 March 2006

	Note	Consolidated 2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		499,707	517,157
Payments to suppliers, land vendors and employees		(456,171)	(529,785)
Interest received		213	293
Interest and other finance costs paid		(16,137)	(11,713)
Net income taxes paid		(4,855)	(20,931)
Net cash from (used in) operating activities		22,757	(44,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		735	792
Payments for property, plant and equipment		(1,569)	(2,913)
Net cash used in investing activities		(834)	(2,121)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		130,798	142,389
Repayment of borrowings		(124,986)	(72,277)
Dividends paid		(21,523)	(23,675)
Repayment of finance lease principal		(269)	(21)
Net cash (used in) provided by financing activities		(15,980)	46,416
NET INCREASE (DECREASE) IN CASH HELD		5,943	(684)
Cash and cash equivalents at 1 April 2005		(9,939)	(9,255)
CASH AND CASH EQUIVALENTS AT 31 MARCH 2006	5	**(3,996)**	**(9,939)**

Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to equity holders of the parent		Total equity
	Issued capital	*Retained earnings*	
	$'000	*$'000*	*$'000*
At 1 April 2004	79,189	164,768	243,957
Profit for the period		43,547	43,547
Dividends		(23,675)	(23,675)
At 31 March 2005	79,189	184,640	263,829

	Attributable to equity holders of the parent		Total equity
	Issued capital	*Retained earnings*	
	$'000	*$'000*	*$'000*
At 1 April 2005	79,189	184,640	263,829
Profit for the period		16,200	16,200
Dividends		(21,523)	(21,523)
At 31 March 2006	79,189	179,317	258,506

Notes to the Preliminary Final Report
For the year ended 31 March 2006

1. BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT

The preliminary final 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 preliminary final report should be read in conjunction with the half-year financial report of AVJennings Limited as at 30 September 2005. It is also recommended that the financial report be considered together with any public announcements made by AVJennings Limited and its controlled entities during the year ended 31 March 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

This preliminary final report has been prepared in accordance with the requirements of the Australian Stock Exchange listing rules.

This preliminary final report does not constitute the full financial report for the year ended 31 March 2006.

a) Statement of compliance

This is the first preliminary final report prepared based on Australian Equivalents to International Financial Reporting Standards (AIFRS) and comparatives for the year ended 31 March 2005 have been restated accordingly.

Reconciliations of:
- AIFRS equity as at 1 April 2004 and 31 March 2005; and
- AIFRS profit for the full-year 31 March 2005,

to the balances reported in the 31 March 2005 financial report prepared under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are detailed in note 1(b).

1. BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT (continued)

b) 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	**1 April 2004 $'000**
Total equity under AGAAP	271,897	268,122
Adjustments to equity		
Revenue recognition policy change (i)	(11,021)	(22,471)
Tax effecting the brand name (ii)	(1,546)	(1,694)
Holding costs policy change (iii)	4,499	-
Total equity under AIFRS	263,829	243,957

(i) Prior to the transition to AIFRS, the group recognised revenues and profits for development project sales in accordance with 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. Following analysis of AIFRS standards and recent industry interpretation of AASB118 "Revenue", it has been decided to recognise revenue generally 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 has elected to change 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. In accordance with AASB1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" this change in policy has been applied retrospectively.

(iv) The application of AASB132 *Financial Instruments : Presentation and Disclosure* and AASB139 *Financial Instruments : Recognition and Measurement* as at 1 April 2005 had no material effect on the results of the group. It is estimated that the application of AASB132 *Financial Instruments : Presentation and Disclosure* and AASB139 *Financial Instruments : Recognition and Measurement* will have no material effect on the results of the group.

Notes to the Preliminary Final Report

For the year ended 31 March 2006

1. BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT (continued)

c) 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
Profit after tax as previously reported	27,451
Revenue recognition policy change (i)	11,449
Tax effecting the brand name (ii)	148
Holding costs policy change (iii)	4,499
Total profit after tax under AIFRS	43,547

(i) Prior to the transition to AIFRS, the group recognised revenues and profits for development project sales in accordance with 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. Following analysis of AIFRS standards and recent industry interpretation of AASB118 "Revenue", it has been decided to recognise revenue generally on a settlement basis.

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(iv) The application of AASB132 *Financial Instruments : Presentation and Disclosure* and AASB139 *Financial Instruments : Recognition and Measurement* as at 1 April 2005 had no material effect on the results of the group. It is estimated that the application of AASB132 *Financial Instruments : Presentation and Disclosure* and AASB139 *Financial Instruments : Recognition and Measurement* will have no material effect on the results of the group.

iii) 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. The application of this exemption has had no effect on the current year's results of the group.

iv) 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 Preliminary Final Report
For the year ended 31 March 2006

2. REVENUE AND EXPENSES

Profit before income tax includes the following revenues and expenses

	Consolidated	
	2006	**2005**
	$'000	**$'000**
Revenue from operating activities		
Developments	312,868	284,548
Contract building	147,728	192,676
Total revenues from operating activities	**460,596**	**477,224**
Revenue from non-operating activities		
Interest received/receivable from:		
- Other persons	213	293
Management fees	797	850
Sundry income	887	751
Total revenues from non-operating activities	**1,897**	**1,894**
Total revenues	**462,493**	**479,118**
Finance costs		
Interest paid to third parties	16,244	11,706
Less: Amount capitalised to inventories	(15,890)	(11,271)
Finance costs expensed	**354**	**435**

Amortisation of finance costs previously capitalised to inventories and included in cost of sales was $5.6million (2005: $2.5million).

Notes to the Preliminary Final Report
For the year ended 31 March 2006

3. DIVIDENDS PAID AND PROPOSED

	Consolidated 2006 $'000	Consolidated 2005 $'000
Equity dividends on ordinary shares:		
(a) Dividends paid during the year		
Final dividend - fully franked for financial year 31 March 2005: 7.5 cents paid 22 July 2005	16,142	
Interim dividend - fully franked for financial year 31 March 2006: 2.5 cents paid 20 January 2006	5,381	
Final dividend - fully franked for financial year 31 March 2004: 7.5 cents paid 23 July 2004		16,142
Interim dividend - fully franked for financial year 31 March 2005: 3.5 cents paid 16 December 2004		7,533
	21,523	23,675
(b) Dividends proposed and not recognised as a liability		
Final dividend - fully franked for financial year 31 March 2006: 5.0 cents to be paid 15 August 2006.	10,761	
Final dividend - fully franked for financial year 31 March 2005: 7.5 cents paid 22 July 2005		16,142
	10,761	16,142

The Directors have resolved to re-activate the Dividend Reinvestment Plan. The last date for the receipt of an election notice will be 1 August 2006. Subject to the approval of the Directors, the allotment price will be a 7.5% discount to the weighted average price of all the Company's fully paid shares traded on the Australian Stock Exchange during the five trading days from, and including, the date on which the shares go ex-dividend.

Full details of the plan will be sent to Shareholders no later than the date on which the annual report will be available to Shareholders (please refer to the details at the end of this Preliminary Final Report).

Notes to the Preliminary Final Report
For the year ended 31 March 2006

4. ISSUED CAPITAL

	Consolidated	
	2006	**2005**
	$'000	**$'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	
	2006	**2005**
	$'000	**$'000**
Cash at bank and in hand	107	145
Bank overdraft	(4,103)	(10,084)
	(3,996)	**(9,939)**

6. NET TANGIBLE ASSET BACKING

	Consolidated	
	2006	**2005**
Net Tangible Asset backing (NTA) - cents per ordinary security	118.6 cents	120.9 cents

Notes to the Preliminary Final Report

For the year ended 31 March 2006

7. 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%	2,392	3,694
Springbank Joint Venture	50%	50%	1,705	1,527
Cammeray Joint Venture	50%	0%	-	-
Total			**4,097**	**5,221**
Other material interests			-	-
Total			**4,097**	**5,221**

The Cammeray Joint Venture was established on 21 December 2005 and has had no material effect on the results of the group. No control has been either gained or lost over any other entities that may have a material effect on the results of the group (2005: NIL).

8. CONTINGENT ASSETS AND LIABILITIES

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

9. EVENTS AFTER BALANCE SHEET DATE

Due to issues such as the timing of recognition of profit on certain transactions, the group marginally did not achieve one of its financial banking conditions. Even though all other conditions were met and the banks have ratified the position subsequent to the end of the financial year, AASB 101 Presentation of Financial Statements, mandates that the group's interest bearing liabilities be disclosed as a current liability. Notwithstanding this disclosure, the Directors do not anticipate that the majority of interest bearing liabilities will be required to be repaid within the next twelve months. If the 31 March 2006 accounts had been prepared taking into account the subsequent ratification then $155 million of current liabilities would have been re-classified as non-current liabilities.

Except for the declaration of the final dividend discussed in the note 3, as well as the matter relating to the interest bearing liabilities referred to above, no other matter or circumstance has arisen since 31 March 2006 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.

Preliminary Final Report
For the year ended 31 March 2006

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 Limited has a formally constituted Audit Committee.

Louis F Milkovits
Managing Director

Melbourne
15 May 2006

ANNUAL MEETING

The annual meeting will be held as follows:

Place:	Crown Towers 8 Whiteman Street Southbank Melbourne VIC 3006
Date:	Thursday, 17 August 2006
Time:	10.00am
Approximate date the annual report will be available:	30 June 2006