AVJennings Limited
ABN: 44 004 327 771

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

Contents

Results for Announcement to the Market

HALF-YEAR ENDED 30 SEPTEMBER 2006

	6 months to 30 September 2006 $'000	2005 $'000	Change $'000	Change %
Revenues	212,363	236,016	(23,653)	(10)%
Profit (loss) from ordinary activities after tax attributable to members	(2,357)	8,903	(11,260)	(126)%
Net profit (loss) for the period attributable to members	(2,357)	8,903	(11,260)	(126)%

Interim dividend

No interim dividend has been either paid, or is payable or has been proposed for the half-year ended 30 September 2006 (September 2005: 2.5 cents per ordinary shares fully franked at 30%).

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 2006

Your Directors present their Report on the Company and its controlled entities for the half-year ended 30 September 2006.

DIRECTORS

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

Simon Cheong	
Louis F Milkovits	
Peter K Summers	
Elizabeth Sam	
Herman R Hochstadt	
Bobby Chin	
Bruce G Hayman	
David Tsang	Resigned 17 August 2006

REVIEW OF OPERATIONS

Contract signings to September 2006 have been 1,215 units which is approximately 10% more than for the same period last year. However, delays in achieving title registration for pre-sold property, particularly in Victoria, have resulted in lower turnover recognition of $212 million for this reporting period. This is approximately 10% less than for the same time last year.

Margins have fallen to about 17% compared to 25% last year. The most significant contributor to the reduced margins are depressed prices and higher government charges in Sydney.

The Company's performance in the current year has been severely impacted by the state of the housing market in Sydney and New South Wales generally, which historically had been its strongest area of operation. In New South Wales, the margin erosion is primarily attributable to both state and local government increasing taxes on new land subdivisions. Whilst the Company can allow for this new level of taxes in future acquisitions, for existing projects acquired prior to these tax increases, the tax growth impost is not possible to be absorbed by consumers and is therefore reflected in major margin erosion.

The Company's intention is to increase its inventory turnover and reinvestment in less aggressively taxed states, particularly Victoria and Queensland. Victoria and Queensland now hold some 65% of the developable land inventory and this shift in geographic disposition is expected to reflect favorably in future year outcomes.

There has been a high level of pre-sales not recognised in this first half interim report which should be recognised in subsequent reporting periods. The full year outcome is expected to show a substantial improvement on the interim result and a return to profitability. Directors have therefore decided to defer a decision on the payment of an interim dividend until the second interim reporting period in March 2007.

Directors' Report
For the half-year ended 30 September 2006

EVENTS AFTER BALANCE SHEET DATE

As discussed in the Directors' Report under Review of Operations, revenue recognition has been negatively impacted by delays in title registration and overall market conditions, particularly in New South Wales. This has led to the Company, in regard to its main banking facility, not meeting its interest cover covenant that, in accordance with facility requirements, was calculated with effect subsequent to the end of the reporting period.

All other covenants have been, and are expected to continue to be, met. At 30 September 2006, the Company's debt to assets ratio was 33%, based on the book value of those assets which are recorded at historical cost. On a long term basis, the Company remains comfortable with the level of debt and the quality of assets supporting this debt.

The Company is in discussion with its Bankers regarding modifying existing facility structures and covenants to accommodate the short term volatility in reported results that arise due to factors such as those outlined above. Based on discussions to date, the Company expects a positive outcome to this process.

A waiver to the interest cover breach is also anticipated. Accordingly, it is not anticipated that any additional bank debt will be required to be repaid within the next twelve months other than in the ordinary course of business and as provided for in the accounts.

Except for the matter relating to the interest cover banking covenant referred to above, no other matter or circumstance has arisen since 30 September 2006 that has significantly affected, or may significantly affect:

i. the Company's operations in future financial years; or
ii. the results of those operations in future financial years; or
iii. the Company'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.

Directors' Report
For the half-year ended 30 September 2006

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 Limited

In relation to our review of the financial report of AVJennings Limited for the half-year ended 30 September 2006, 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

David Simmonds
Partner

6 November 2006

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

Louis Milkovits
Director

6 November 2006

Condensed Income Statement
For the half-year ended 30 September 2006

	Note	Consolidated 2006 $'000	2005 $'000
Revenues	3	212,363	236,016
Change in inventories, finished goods and work-in-progress		(175,853)	(175,742)
Other operational expenses		(3,625)	(4,588)
Other income	3	-	18
Advertising expenses		(4,465)	(9,320)
Display costs		(3,347)	(3,472)
Employee expenses		(20,848)	(22,154)
Depreciation and amortisation expense		(1,251)	(1,296)
Finance costs	3	(134)	(188)
Other expenses		(6,101)	(6,597)
Profit (loss) before income tax		**(3,261)**	**12,677**
Income tax benefit (expense)		904	(3,774)
Net profit (loss) attributable to members of parent		**(2,357)**	**8,903**
Earnings per share (cents per share) from continuing operations			
- basic for profit (loss) for the year		(1.09)	4.14
- diluted for profit (loss) for the year		(1.09)	4.14

Condensed Balance Sheet
As at 30 September 2006

		Consolidated	
		30 September 2006	31 March 2006
	Note	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents		1,009	109
Trade and other receivables		18,138	11,921
Inventories		338,577	348,252
Tax receivable		1,947	1,947
Other current assets		4,454	3,247
Total current assets		**364,125**	**365,476**
NON-CURRENT ASSETS			
Trade and other receivables		2,127	1,945
Inventories		214,078	214,577
Property, plant and equipment		5,880	6,679
Intangible assets		4,415	4,661
Total non-current assets		**226,500**	**227,862**
Total assets		**590,625**	**593,338**
CURRENT LIABILITIES			
Trade and other payables		111,883	107,567
Interest-bearing loans and borrowings	5	21,710	178,321
Provisions		5,076	4,448
Total current liabilities		**138,669**	**290,336**
NON-CURRENT LIABILITIES			
Trade and other payables		6,486	30,257
Interest-bearing loans and borrowings	5	176,497	557
Deferred tax liabilities		12,514	13,416
Provisions		309	265
Total non-current liabilities		**195,806**	**44,495**
Total liabilities		**334,475**	**334,831**
Net assets		**256,150**	**258,507**
EQUITY			
Issued capital	6	89,950	79,189
Retained earnings		166,200	179,318
Total equity		**256,150**	**258,507**

Condensed Statement of Changes in Equity

For the half-year ended 30 September 2006

		Attributable to equity holders of the parent		Total equity
CONSOLIDATED		**Issued capital**	**Retained earnings**	
	Note	**$'000**	**$'000**	**$'000**
At 1 April 2005		**79,189**	**184,640**	**263,829**
Net income recognised directly in equity		-	-	-
Net profit for the period		-	8,903	8,903
Total recognised income and expense for the period		-	8,903	8,903
Dividends	4	-	(16,142)	(16,142)
		-	(7,239)	(7,239)
At 30 September 2005		**79,189**	**177,401**	**256,590**
At 1 April 2006		**79,189**	**179,318**	**258,507**
Net income recognised directly in equity		-	-	-
Net profit for the period		-	(2,357)	(2,357)
Total recognised income and expense for the period		-	(2,357)	(2,357)
Ordinary share capital raised	6	10,761	-	10,761
Dividends	4	-	(10,761)	(10,761)
		10,761	(13,118)	(2,357)
At 30 September 2006		**89,950**	**166,200**	**256,150**

Condensed Cash Flow Statement

For the half-year ended 30 September 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	223,134	262,286
Payments to suppliers, land vendors and employees	(227,796)	(249,081)
Interest received	86	133
Interest paid	(8,371)	(7,819)
Income taxes and GST paid	(5,249)	(5,673)
Net cash used in operating activities	**(18,196)**	**(154)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	247	307
Purchase of property, plant and equipment	(295)	(629)
Net cash used in investing activities	**(48)**	**(322)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	76,369	94,801
Repayment of borrowings	(52,706)	(65,903)
Equity dividends paid	(3,659)	(16,142)
Proceeds from issue of shares	3,659	-
Payment of finance lease liability	(416)	(476)
Net cash from financing activities	**23,247**	**12,280**
NET INCREASE IN CASH HELD	**5,003**	**11,804**
Cash and cash equivalents at beginning of period	(3,994)	(9,938)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,009**	**1,866**

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2006

1. CORPORATE INFORMATION

The financial report of AVJennings Limited ('the Company') for the half-year ended 30 September 2006 was authorised for issue in accordance with a resolution of the Directors on 6 November 2006. AVJennings Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in Note 8 Segment Information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Limited as at 31 March 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by AVJennings Limited and its controlled entities during the half-year ended 30 September 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of preparation

The half-year consolidated 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 has 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 under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 March 2006, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 April 2006, as described in note 2(d).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of AVJennings Limited and its subsidiaries as at 30 September 2006 ('the Group').

d) New accounting standards, and UIG interpretations

Australian Accounting Standards and UIG Interpretations that have recently been amended and are effective 1 January 2006 are outlined in the table below:

Reference	Title	Summary	Application date of the standard	Impact on group accounting policies	Application date on the group
AASB2005-9	Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 and AASB 132]	The amendments to all four standards provide guidance as to which standard applies to financial guarantee contracts under certain circumstances.	Annual reporting periods beginning on or after 1 January 2006	Financial guarantees provided will be recognised at fair value on the Balance Sheet, however there is no material impact for the Group.	1 April 2006

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2006

3. REVENUES AND EXPENSES

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

	Consolidated	
	2006	**2005**
	$'000	**$'000**
Revenues		
Developments	135,427	150,811
Contract building	76,088	84,358
Finance revenue	86	133
Management fees	599	394
Sundry revenue	163	320
Total revenues	**212,363**	**236,016**
Other income		
Gain on disposal of property, plant and equipment	-	18
Total other income	**-**	**18**
Total revenues and other income	**212,363**	**236,034**
Finance costs		
Bank loans and overdrafts	8,226	7,569
Finance charges payable under finance leases	48	55
Finance charges payable to land creditors	97	195
Total finance costs	8,371	7,819
Less: Amount capitalised to inventories	(8,237)	(7,631)
Total finance costs expensed	**134**	**188**

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2006

4. DIVIDENDS PAID AND PROPOSED

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000
Dividends paid on ordinary shares during the half-year ended 30 September:			
2006 final of 5.0 cents per fully paid share, paid 15 August 2006. Fully franked @ 30% tax	4(a)	10,761	
2005 final of 7.5 cents per fully paid share, paid 22 July 2005. Fully franked @ 30% tax			16,142
Total dividends paid during the year		**10,761**	**16,142**
Dividends declared after period end and not recognised as a liability as at 30 September:			
2007 interim dividend	4(b)	-	
2006 interim of 2.5 cents per fully paid share, declared after period end to be paid on 20 January 2006. Fully franked @ 30% tax			5,381

(a) The 2006 final dividend was the subject of a Dividend Reinvestment Plan. The plan was fully underwritten. Details of shares issued are set out in note 6.

(b) No interim dividend has been either paid, or is payable or has been proposed for the half-year ended 30 September 2006 (September 2005: 2.5 cents per ordinary share fully franked at 30%).

5. INTEREST-BEARING LOANS AND BORROWINGS

At 31 March 2006, due to issues such as the recognition of profit on certain transactions, the Company marginally did not achieve one of its banking covenants. Even though all other banking covenants had been met and the banks had ratified the banking covenant not achieved at year end, subsequent to the end of the financial year, AASB 101 *Presentation of Financial Statements*, required that the Group's interest-bearing liabilities be disclosed as a current liability.

At 30 September 2006, the Company had met all its banking covenants.

Please also refer to note 12.

6. ISSUED CAPITAL

	Consolidated 30 September 2006 $'000	Consolidated 31 March 2006 $'000
Ordinary shares		
Issued and fully paid ordinary shares	**89,950**	**79,189**
Movement in ordinary shares on issue		
As at the beginning of the period	79,189	79,189
Issued pursuant to the Dividend Reinvestment Plan (DRP)		
15 August 2006 - at an issue price of $1.08 per ordinary share	7,102	-
Issued pursuant to the DRP Underwriting Agreement		
19 September 2006 - at an issue price of $1.11 per ordinary share	3,659	-
As at the end of the period	**89,950**	**79,189**

Movement in ordinary shares on issue	Consolidated 30 September 2006 *Number*	Consolidated 31 March 2006 *Number*
As at the beginning of the period	215,226,332	215,226,332
Issued pursuant to the Dividend Reinvestment Plan (DRP)		
15 August 2006	6,575,707	-
Issued pursuant to the DRP Underwriting Agreement		
19 September 2006	3,309,190	-
As at the end of the period	**225,111,229**	**215,226,332**

The ordinary shares issued pursuant to the DRP underwriting agreement were issued to Trimount Pte Ltd, a wholly owned subsidiary of SC Global Developments Limited, in line with the terms and conditions outlined at the Company's Annual General Meeting held on 17 August 2006. SC Global Development Limited is a substantial shareholder of the Company. Following the placement of shares to Trimount Pte Ltd, SC Global Developments Limited lodged a change in substantial holding notice on 21 September 2006 declaring an interest of 42.36% over the total number of shares on issue.

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 financial half-year.

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2006

7. RECONCILIATION OF CASH

	Consolidated	
	30 September 2006 $'000	**31 March 2006 $'000**
Reconciliation of cash		
Cash on hand (overdraft) at the end of the period as shown in the *Cash Flow Statement* is reconciled to the related items in the *Balance Sheet* as follows:		
Cash at bank and in hand	1,009	109
Bank overdraft	-	(4,103)
Net cash on hand (overdraft) at the end of the period	**1,009**	**(3,994)**

Notes to the Half-Year Financial Statements

For the half-year ended 30 September 2006

8. SEGMENT INFORMATION

The following table presents the revenue and profit information regarding business segments for the half-year period ended 30 September 2006.

Business segments	Land		Integrated Housing/Apartments		Contract Building		Eliminations		Consolidated	
	30 Sept 2006 $'000	**30 Sept 2005 $'000**	**30 Sept 2006 $'000**	**30 Sept 2005 $'000**	**30 Sept 2006 $'000**	**30 Sept 2005 $'000**	**30 Sept 2006 $'000**	**30 Sept 2005**	**30 Sept 2006 $'000**	**30 Sept 2005 $'000**
Revenue										
External sales	58,823	70,369	76,604	80,443	76,088	84,358	-	-	211,515	235,169
Inter-segment transaction	-	1,300	-	-	-	-	-	(1,300)	-	-
Non-segment revenue	-	-	-	-	-	-	-	-	848	847
Total revenue	**58,823**	**71,669**	**76,604**	**80,443**	**76,088**	**84,358**	**-**	**(1,300)**	**212,363**	**236,016**
Results										
Segment results	4,517	18,342	1,698	6,532	1,955	(112)	-	-	8,170	24,762
Inter-segment transaction	-	143	-	-	-	-	-	(143)	-	-
Unallocated income	-	-	-	-	-	-	-	-	848	865
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	(1,251)	(1,296)
Unallocated expenses	-	-	-	-	-	-	-	-	(10,894)	(11,466)
Unallocated interest expense	-	-	-	-	-	-	-	-	(134)	(188)
Profit (loss) before									(3,261)	12,677
Income tax benefit (expense)									904	(3,774)
Net profit (loss)									**(2,357)**	**8,903**

8. SEGMENT INFORMATION (continued)

The following table presents the asset and liability information regarding business segments for the half-year period ended 30 September 2006.

Business segments	**Land**		**Integrated Housing/Apartments**		**Contract Building**		**Eliminations**		**Consolidated**	
	30 Sept 2006 $'000	**31 Mar 2006 $'000**	**30 Sept 2006 $'000**	**31 Mar 2006 $'000**	**30 Sept 2006 $'000**	**31 Mar 2006 $'000**	**30 Sept 2006 $'000**	**31 Mar 2006 $'000**	**30 Sept 2006 $'000**	**31 Mar 2006 $'000**
Assets										
Segment assets	378,120	375,896	171,252	166,822	30,307	38,706	-	-	579,679	581,425
Inter-segment transaction	-	-	-	-	2,502	1,371	(2,502)	(1,371)	-	-
Unallocated assets	-	-	-	-	-	-	-	-	10,946	11,913
Total assets	**378,120**	**375,896**	**171,252**	**166,822**	**32,809**	**40,077**	**(2,502)**	**(1,371)**	**590,625**	**593,338**
Liabilities										
Segment liabilities	83,126	100,261	26,133	24,252	14,219	15,189	-	-	123,477	139,702
Unallocated liabilities	-	-	-	-	-	-	-	-	210,998	195,129
Total liabilities	**83,126**	**100,261**	**26,133**	**24,252**	**14,219**	**15,189**	**-**	**-**	**334,475**	**334,831**
Other segment information										
Capital expenditure	-	-	-	-	-	-	-	-	420	1,569

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.

9. NET TANGIBLE ASSET BACKING

	Consolidated 2006 $'000	Consolidated 2005 $'000
Net Tangible Asset backing (NTA) - cents per ordinary security	112.4 cents	117.1 cents

Ordinary shares on issue as at 30 September 2006 was 225,111,229 (2005: 215,226,332). Refer note 6.

10. MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

No control has been gained or lost over entities that may have a material effect on the results of the Group (2005: NIL).

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
Cammeray Developments Joint Venture	50%	0%	-	-
Regatta Waters/Parklake Joint Venture	50%	50%	997	2,184
Springbank Joint Venture	50%	50%	1,243	1,287
Total			**2,240**	**3,471**
Other material interests			-	-
Total			**2,240**	**3,471**

Notes to the Half-Year Financial Statements
For the half-year ended 30 September 2006

11. CONTINGENT ASSETS AND LIABILITIES

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

12. EVENTS AFTER BALANCE SHEET DATE

As discussed in the Directors' Report under Review of Operations, revenue recognition has been negatively impacted by delays in title registration and overall market conditions, particularly in New South Wales. This has led to the Company, in regard to its main banking facility, not meeting its interest cover covenant that, in accordance with facility requirements, was calculated with effect subsequent to the end of the reporting period.

All other covenants have been, and are expected to continue to be, met. At 30 September 2006, the Company's debt to assets ratio was 33%, based on the book value of those assets which are recorded at historical cost. On a long term basis, the Company remains comfortable with the level of debt and the quality of assets supporting this debt.

The Company is in discussion with its Bankers regarding modifying existing facility structures and covenants to accommodate the short term volatility in reported results that arise due to factors such as those outlined above. Based on discussions to date, the Company expects a positive outcome to this process.

A waiver to the interest cover breach is also anticipated. Accordingly, it is not anticipated that any additional bank debt will be required to be repaid within the next twelve months other than in the ordinary course of business and as provided for in the accounts.

Except for the matter relating to the interest cover banking covenant referred to above, no other matter or circumstance has arisen since 30 September 2006 that has significantly affected, or may significantly affect:

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

Directors' Declaration
For the half-year ended 30 September 2006

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

In the opinion of the directors:

a) The financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

   (i) give a true and fair view of the financial position as at 30 September 2006 and the performance for the half-year ended on that date of the Consolidated Entity; 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

6 November 2006

ERNST & YOUNG

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Independent review report to members of AVJennings 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 and accompanying notes to the financial statements for the consolidated entity comprising both AVJennings Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 30 September 2006.

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. 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 Australian Stock Exchange 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 financial reporting requirements in Australia, 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. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed.

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, comprising AVJennings Limited and the entities it controlled during the period 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 2006 and of its performance for the period 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.

Ernst & Young
Sydney

David Simmonds
Partner

6 November 2006