AVJennings Limited
ABN: 44 004 327 771

31 December 2008 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 financial year ended 30 June 2008 and any public announcements made by AVJennings Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

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AVJennings®

Results for Announcement to the Market

Appendix 4D for the Half-Year ended 31 December 2008

	6 months to 31 December 2008 $'000	6 months to 31 December 2007 $'000	Decrease $'000	Decrease %
Revenues	241,990	265,376	(23,386)	(8.8)%
Profit/(loss) from ordinary activities after tax attributable to members	(9,697)	6,136	(15,833)	(258.0)%
Net profit/(loss) for the period attributable to members	(9,697)	6,136	(15,833)	(258.0)%

Dividends	Cents per security	Franked amount per security at 30% tax
Interim dividend	nil	nil
Previous corresponding period	nil	nil

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 31 December 2008

Your Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2008.

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.

Mr Simon Cheong (Chairman)
Mr Jerome Rowley (Deputy Chairman)
Mr Louis F Milkovits (resigned 1 December 2008)
Mr Peter K Summers
Mrs Elizabeth Sam
Mr Herman R Hochstadt
Mr Bobby Chin
Mr Bruce G Hayman

REVIEW OF OPERATIONS

Overview

The interim after tax loss for the 6 month period ended 31 December 2008 was $9.7 million compared to an interim after tax profit of $6.1 million for the previous corresponding period. Revenue was $242.0 million compared to $265.4 million for the previous corresponding period.

The result includes an unrealised loss of $3.6 million (after tax) on interest rate hedging contracts. The Company regularly has in place such contracts to prudently limit its interest rate exposure. Due to recent interest rate reductions, the current market value of these contracts has decreased resulting in the unrealised loss.

Overall, the result reflected continuing market challenges on the residential property sector as a consequence of the economic climate and financial market turmoil. These challenges, combined with lack of affordability for first home buyers, resulted in soft demand in the first half of the financial year.

Nevertheless, despite the first half setback and continuing uncertain market conditions, the Company's portfolio is well positioned to take advantage of improvements in the market which may result from recent interest rate reductions, the enhanced first home owners grant and improvement in affordability. The Company also continues to explore viable acquisition opportunities, particularly under joint venture arrangements, development agreements and other appropriate capital structures.

Under present market conditions, the Board has carefully reviewed the Company's portfolio and concluded that an impairment of assets is not necessary at this stage. This has been the result of the Company's conservative approach to acquisitions in prior years.

REVIEW OF OPERATIONS (continued)

Segment results

- **Land**

  Operationally, land turnover decreased by 21.7% to $79.0 million. Margins also fell from 25.1% to 12.8%. Traditionally, land sales to other builders, who form a major customer base of the Company, decline more sharply in a slow market than other land sales, as builders take a more cautious purchasing approach. The decreased margins reflect a combination of price discounting, increased holding costs included in cost of sales, and the mix of projects for which sales were recorded in the first half.

  Whilst the results from the land operations partly reflect market conditions in the first half, the timing of the Company's land development projects meant that it is anticipated that sales would be weighted towards the second half.

- **Development Housing**

  Development Housing turnover was $58.1 million compared to $70.2 million for the same period last year. One of the Company's strengths in difficult markets is Development Housing, whereby it leverages off its building capability and enables more affordable housing options to be offered to the market. Traditionally, Development Housing has been the first operating segment to recover in a slow market. In recent months there has been an increase in both enquiry levels and contract signings for the business segment, particularly in New South Wales. This appears to support the view that the availability of affordable housing options, together with the Government initiatives such as a boost to the First Home Buyers Grant and falling interest rates, are assisting customers to enter the market.

- **Apartments**

  The Apartments division has also been adversely effected by the challenging market conditions and management has taken action to significantly reduce costs in this division. On a positive note, the Company's Erskineville project in Sydney has recorded good pre-sales. Again, this project offers affordable housing options in a premium location.

- **Contract Building**

  Contract Building continues to under-perform and a full review of this segment is being undertaken.

  Whilst market conditions are difficult, particularly in New South Wales, the focus in the short-term has been to reduce costs and improve performance by strengthening management. This, coupled with initiatives such as a product review and the opening of new displays, will see improved outcomes in FY2010 and beyond.

REVIEW OF OPERATIONS (continued)

Funding

The Company's main banking arrangement, the multi-option banking facilities, mature on 30 September 2009. At 31 December 2008, the funding available under these facilities which comprise bank overdraft, bank loans and a standby facility was $215 million. The utilised amount at 31 December 2008 was $130 million with a balance of $85 million remaining unutilised.

These loans have been classified in the Balance Sheet at 31 December 2008 as a current liability. Negotiations regarding the extension of these facilities are at an advanced stage and it is anticipated that facilities sufficient for the Company's normal business operations, will be extended, subject to the usual relevant bank credit approval process.

However, the prevailing uncertainty in the world financial markets has necessitated development of strategies that will ensure continuity of funding in these conditions. To this end, the Company is looking at new structures and initiatives in addition to the existing debt structures.

As previously reported, an increased number of acquisitions have been made under joint venture arrangements and development agreements which will reduce cash requirements in coming months and years. Additionally, a majority of the funding requirements will be sourced out of specific project facilities relating to these joint ventures. Both of these factors will result in lower reliance on the existing multi-option facilities.

DIVIDENDS

No interim dividend has been proposed, paid, or is payable in relation to the half-year ended 31 December 2008 (31 December 2007: NIL).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity's multi-option facility expires on 30 September 2009. Whilst the review is underway, the renewal of this facility had not been finalised at 31 December 2008. As a result, the borrowing under the facility is shown as a current liability on the *Condensed Balance Sheet* at 31 December 2008.

EVENTS AFTER BALANCE SHEET DATE

The Company intends to launch the AVJennings Residential Property Fund. The Fund will be unlisted and has a target closed-end life of 10 years. The Company has worked closely with its advisors, Investec, to ensure the Fund is structured appropriately for the current market.

EVENTS AFTER BALANCE SHEET DATE (continued)

The Fund is aiming to raise between $150 million and $200 million of equity. Whilst the intention is to achieve attractive returns to the investors in the Fund, the Fund will also deliver to the Company the capacity to acquire projects on behalf of the Fund, to take advantage of current market conditions including reducing interest rates and infrastructure levies, increased first home owners grant and reduced competition for assets. In addition, the Company will be able to derive income from project development, sales and provision of management skills, thereby gaining greater leverage from its core skills and the strength of the AVJennings brand, which continues to be a premier brand in Australian residential property development. This will enable the Company to reduce reliance on the multi-option facilities and result in smoother revenue streams with a greater portion accruing on a recurring basis.

It is intended that the Company will own a cornerstone investment in the Fund of 15% and will be able to co-invest in new projects acquired by the Fund. This equity share, together with the ability to earn additional returns from performance based management fees, will co-align the interests of the Company and the Fund.

Whilst the Company will have a 15% interest in the Fund, participation will be offered to large wholesale funds. The Fund will be chaired by an independent Chairman.

No other matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

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

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the ASIC Class Order 98/0100 dated 10 July 1998. Accordingly, amounts in the *Directors' Report*, the Financial Statements and the Notes thereto have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, 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
www.ey.com/au

In relation to our review of the financial report of AVJennings Limited for the half-year ended 31 December 2008, 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
20 February 2009

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

Peter Summers
Director

20 February 2009

Condensed Income Statement

For the half-year ended 31 December 2008

		Consolidated 6 months to	
	Note	31 December 2008 $'000	31 December 2007 $'000
Continuing operations			
Revenues	3	241,990	265,376
Change in inventories, finished goods and work-in-progress		(205,072)	(213,069)
Other operational expenses		(4,631)	(4,581)
Advertising expenses		(3,808)	(4,724)
Display costs		(3,804)	(3,631)
Employee expenses		(25,668)	(22,363)
Depreciation and amortisation expense		(1,039)	(1,030)
Finance costs	3	(586)	(403)
Unrealised loss on interest rate derivatives		(5,178)	-
Other expenses		(6,026)	(6,813)
Profit/(loss) from continuing operations before income tax		**(13,822)**	**8,762**
Income tax benefit/(expense)		4,125	(2,626)
Net profit/(loss) attributable to members of the parent		**(9,697)**	**6,136**
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent		Cents	Cents
Basic earnings per share		(3.60)	2.71
Diluted earnings per share		(3.60)	2.71

Condensed Balance Sheet
As at 31 December 2008

	Note	Consolidated 31 December 2008 $'000	30 June 2008 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	432	6,950
Trade and other receivables		15,695	20,517
Inventories		189,938	246,478
Tax receivable		706	1,501
Other current assets		4,116	6,887
Total current assets		**210,887**	**282,333**
NON-CURRENT ASSETS			
Inventories		290,236	258,076
Investments accounted for using the equity method		38,198	32,733
Property, plant and equipment		4,670	4,880
Intangible asset		3,308	3,554
Total non-current assets		**336,412**	**299,243**
Total assets		**547,299**	**581,576**
CURRENT LIABILITIES			
Trade and other payables		54,587	65,669
Interest-bearing loans and borrowings		163,700	20,020
Provisions		4,897	5,239
Total current liabilities		**223,184**	**90,928**
NON-CURRENT LIABILITIES			
Trade and other payables		4,152	7,324
Interest-bearing loans and borrowings		9,306	156,340
Deferred tax liabilities		16,853	21,772
Provisions		798	767
Total non-current liabilities		**31,109**	**186,203**
Total liabilities		**254,293**	**277,131**
Net assets		**293,006**	**304,445**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	5	122,837	119,247
Retained earnings		170,169	185,198
Total equity		**293,006**	**304,445**

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2008

CONSOLIDATED	Note	Attributable to equity holders of the parent Issued capital $'000	 Retained earnings $'000	Total equity $'000
At 1 July 2007		**89,950**	**180,720**	**270,670**
Net income recognised directly in equity		-	-	-
Net profit for the period		-	6,136	6,136
Total recognised income and expense for the period		-	6,136	6,136
Ordinary share capital raised	5	4,896	-	4,896
Dividends	4	-	(6,753)	(6,753)
		4,896	(617)	4,279
At 31 December 2007		**94,846**	**180,103**	**274,949**
At 1 July 2008		**119,247**	**185,198**	**304,445**
Net income recognised directly in equity		-	-	-
Net loss for the period		-	(9,697)	(9,697)
Total recognised income and expense for the period		-	(9,697)	(9,697)
Ordinary share capital raised	5	3,590	-	3,590
Dividends	4	-	(5,332)	(5,332)
		3,590	(15,029)	(11,439)
At 31 December 2008		**122,837**	**170,169**	**293,006**

Condensed Cash Flow Statement

For the half-year ended 31 December 2008

	Note	Consolidated 6 months to 31 December 2008 $'000	31 December 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		270,560	297,534
Payments to suppliers, land vendors and employees		(259,403)	(386,226)
Interest paid		(6,826)	(7,560)
Income taxes paid		-	(1,109)
Net cash flows from/(used in) operating activities		**4,331**	**(97,361)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		143	51
Purchase of property, plant and equipment		(841)	(421)
Interest received		410	347
Investments in associates and joint venture entities		(5,465)	(189)
Net cash flows used in investing activities		**(5,753)**	**(212)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		79,767	198,285
Repayment of borrowings		(83,122)	(81,918)
Equity dividends paid		(5,332)	(6,753)
Proceeds from issue of shares		3,590	4,896
Repayment of finance lease liability		1	-
Net cash flows from/(used in) financing activities		**(5,096)**	**114,510**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,518)**	**16,937**
Cash and cash equivalents at the beginning of the half-year		6,950	(7,358)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	6	**432**	**9,579**

1. CORPORATE INFORMATION

The financial report of AVJennings Limited and its subsidiary companies ("the Consolidated Entity") for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors on 20 February 2009. The Company is incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in Note 7 *Segment Information*.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all the 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 financial report of AVJennings Limited for the year ended 30 June 2008.

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 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis.

The half-year consolidated 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 the 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 those used in the financial statements for the year ended 30 June 2008, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2008.

Notes to the Half-Year Financial Statements
For the half-year ended 31 December 2008

3. REVENUES AND EXPENSES

Profit/(loss) from ordinary activities before income tax includes the following revenues and expenses:

	Consolidated 6 months to 31 December 2008 $'000	Consolidated 6 months to 31 December 2007 $'000
Revenues		
Developments	153,042	177,729
Contract building	86,814	85,377
Interest received	410	347
Share of profits/(losses) of associates and joint venture entities accounted for using the equity method	265	(1)
Management fees	1,162	937
Rental revenue	23	-
Site identification fees	-	750
Realised gain on interest rate derivatives	74	-
Sundry revenue	200	237
Total revenues	**241,990**	**265,376**
Finance costs		
Bank loans and overdrafts	6,754	7,447
Finance charges payable under finance leases	72	58
Finance charges payable to land creditors	-	55
Total finance costs	6,826	7,560
Less: Amounts capitalised to inventories	(6,240)	(7,157)
Total finance costs expensed	**586**	**403**

4. DIVIDENDS PAID AND PROPOSED

	Note	Consolidated 6 months to 31 December 2008 $'000	Consolidated 6 months to 31 December 2007 $'000
Dividends paid on ordinary shares during the half-year :			
2008 final of 2.0 cents per fully paid share, paid 31 October 2008. Fully franked @ 30% tax	4(a)	5,332	-
2007 final of 3.0 cents per fully paid share, paid 29 October 2007. Fully franked @ 30% tax		-	6,753
Total dividends paid during the period		**5,332**	**6,753**

	Consolidated 31 December 2008 $'000	Consolidated 30 June 2008 $'000
Franking credit balance		
Franking credits available for subsequent financial years based on a tax rate of 30% are:		
Franking account balance as at the end of the reporting period	22,831	25,116
Franking debits that will arise from the refund of income tax receivable as at the end of the half-year	(706)	-
Total franking credit balance	**22,125**	**25,116**

No interim dividend has been proposed, paid, or is payable in relation to the half-year ended 31 December 2008 (31 December 2007: NIL).

(a) The 2008 final dividend was the subject of a Dividend Reinvestment Plan. Details of shares issued under the plan are set out in note 5.

Notes to the Half-Year Financial Statements
For the half-year ended 31 December 2008

5. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2008 $'000	**30 June 2008 $'000**
Ordinary shares		
Issued and fully paid ordinary shares	**122,837**	**119,247**
Movement in contributed equity		
As at the beginning of the period	119,247	89,950
Issued pursuant to the Dividend Reinvestment Plan (DRP)		
31 October 2008 - at an issue price of $0.45 per ordinary share	3,590	-
29 October 2007 - at an issue price of $1.14 per ordinary share	-	4,896
Issued pursuant to the Rights Issue, net of associated costs		
5 June 2008 - at an issue price of $0.67 per ordinary share	-	24,401
As at the end of the period	**122,837**	**119,247**

	Consolidated	
	31 December 2008	**30 June 2008**
Movement in ordinary shares on issue	*Number*	*Number*
As at the beginning of the period	266,624,462	225,111,229
Issued pursuant to the Dividend Reinvestment Plan (DRP)		
31 October 2008	7,964,232	-
29 October 2007	-	4,301,135
Issued pursuant to the Right Issue		
5 June 2008	-	37,212,098
As at the end of the period	**274,588,694**	**266,624,462**

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 31 December 2008

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2008 $'000	**30 June 2008 $'000**
Reconciliation of cash		
Cash at the end of the reporting period as shown in the *Condensed Cash Flow Statement* is reconciled to the related items in the *Condensed Balance Sheet* as follows:		
Cash at bank and in hand	432	6,950
Net cash on hand at the end of the half-year	**432**	**6,950**

7. SEGMENT INFORMATION

The following table presents the revenues and results information regarding the business segments for the half-year ended 31 December 2008:

	Continuing Operations								*Total Operations*	
Business segments	**Land**		**Development Housing**		**Apartments**		**Contract Building**		**Consolidated**	
	31 December **2008** **$'000**	31 December **2007** **$'000**	31 December **2008** **$'000**	31 December **2007** **$'000**	31 December **2008** **$'000**	31 December **2007** **$'000**	31 December **2008** **$'000**	31 December **2007** **$'000**	31 December **2008** **$'000**	31 December **2007** **$'000**
Revenues										
External sales	79,031	100,958	58,108	70,187	15,903	6,584	86,814	85,377	239,856	263,106
Non-segment revenue	-	-	-	-	-	-	-	-	2,134	2,270
Total revenues	**79,031**	**100,958**	**58,108**	**70,187**	**15,903**	**6,584**	**86,814**	**85,377**	**241,990**	**265,376**
Results										
Segment results	4,590	19,428	2,017	5,150	(516)	(2,717)	(3,508)	(1,128)	2,583	20,733
Unallocated income	-	-	-	-	-	-	-	-	2,134	2,270
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	(1,039)	(1,030)
Unallocated expenses*	-	-	-	-	-	-	-	-	(16,914)	(12,808)
Unallocated interest expense	-	-	-	-	-	-	-	-	(586)	(403)
Profit/(loss) before tax									(13,822)	8,762
Income tax benefit/(expense)									4,125	(2,626)
Net profit/(loss)									**(9,697)**	**6,136**

* Unallocated expenses for the half-year ended 31 December 2008 include $5,178,000 of unrealised loss on interest rate derivatives.

7. SEGMENT INFORMATION (continued)

The following table presents the assets and liabilities information regarding the business segments for the half-year ended 31 December 2008:

	Continuing Operations								*Total Operations*	
	Land		**Development Housing**		**Apartments**		**Contract Building**		**Consolidated**	
Business segments	**31 December 2008 $'000**	**30 June 2008 $'000**	**31 December 2008 $'000**	**30 June 2008 $'000**	**31 December 2008 $'000**	**30 June 2008 $'000**	**31 December 2008 $'000**	**30 June 2008 $'000**	**31 December 2008 $'000**	**30 June 2008 $'000**
Assets										
Segment assets	288,892	331,513	151,008	130,470	54,297	65,724	39,402	34,302	533,599	562,009
Unallocated assets	-	-	-	-	-	-	-	-	13,700	19,567
Total assets	**288,892**	**331,513**	**151,008**	**130,470**	**54,297**	**65,724**	**39,402**	**34,302**	**547,299**	**581,576**
Liabilities										
Segment liabilities	24,712	30,758	7,640	16,056	875	5,219	15,901	22,614	49,128	74,647
Unallocated liabilities	-	-	-	-	-	-	-	-	205,165	202,484
Total liabilities	**24,712**	**30,758**	**7,640**	**16,056**	**875**	**5,219**	**15,901**	**22,614**	**254,293**	**277,131**
Other segment information										
Capital expenditure	-	-	-	-	-	-	-	-	841	1,724

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.
Development Housing: The customer buys a completed home or townhouse within an AVJennings development.
Apartments Development: The customer buys a completed apartment within an AVJennings development.
Contract Building: The customer contracts to build a home with AVJennings on land they have sourced themselves.

8. NET TANGIBLE ASSET BACKING

	Consolidated	
	31 December 2008 Cents	30 June 2008 Cents
Net Tangible Asset backing (NTA) - per ordinary security	105.5	112.9

Ordinary shares on issue as at 31 December 2008 were 274,588,694 (30 June 2008: 266,624,462). Refer to note 5 for details.

9. INTEREST IN JOINT VENTURE OPERATIONS

A number of controlled entities have entered into Joint Ventures which are proportionately consolidated. Information relating to the Joint Ventures is set out below:

Proportionately consolidated Joint Ventures	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit/(loss) before tax	
			6 months to	
Names of Joint Ventures	31 December 2008	31 December 2007	31 December 2008 $'000	31 December 2007 $'000
Cammeray	50%	50%	913	(42)
Regatta Waters/ParkLake	50%	50%	29	1,562
Springbank (Burton)	50%	50%	-	-
Total			**942**	**1,520**

No control has been either gained or lost over any other entities that may have a material effect on the results of the Consolidated Entity (2007: NIL).

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The interest in an associate or a joint venture entity is accounted for using the equity method of accounting and is carried at cost. Under the equity method, the Consolidated Entity's share of the results of the associate or the joint venture entity is recognised in the *Condensed Income Statement*, and the share of movements in reserves is recognised in the *Condensed Balance Sheet*. The information is set out below:

Equity accounted Associates and Joint Ventures	Percentage of ownership interest held at end of period or date of disposal		Contribution to profit/(loss) before tax	
			6 months to	
Names of Associates and Joint Ventures	31 December 2008	31 December 2007	31 December 2008 $'000	31 December 2007 $'000
Epping JV	10%	10%	431	(1)
Creekwood (Meridan Plains)	50%	50%	195	-
Eastwood	50%	50%	(193)	-
Sydney Olympic Park Development	50%	50%	-	-
Woodville	50%	50%	(168)	-
Total			**265**	**(1)**

11. CONTINGENT ASSETS AND LIABILITIES

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by controlled entities in the normal course of business to unrelated parties, at 31 December 2008, amounted to $31,572,000 (30 June 2008: $34,709,000). These performance guarantees are issued to bond for completion of works as required by councils and utilities. No liability is expected to arise.

Financial guarantees

Certain financial guarantees have been granted by the Consolidated Entity's main bankers in the normal course of business as follows:

- issued to various landlords as security for office space leased by the Consolidated Entity. At 30 June 2008 these financial guarantees amounted to $448,000 (30 June 2008: $448,000);

- issued to the Queensland Commissioner for Land Tax as security for land tax liabilities that arise as a result of land settlements. At 31 December 2008 these financial guarantees amounted to $200,000 (30 June 2008: $200,000);

11. CONTINGENT ASSETS AND LIABILITIES (continued)

Financial guarantees (continued)

- issued to a land owner as security for the Consolidated Entity's obligations under a contract for the right to develop land to which the Consolidated Entity does not have title. At 31 December 2008, this financial guarantee amounted to $2,125,000 (30 June 2008: $2,125,000); and

- issued to land vendors as security for land purchased by the Consolidated Entity for which title has already transferred to the Consolidated Entity. At 31 December 2008 these financial guarantees amounted to $NIL (30 June 2008: $1,500,000).

12. DEFICIENCY IN NET CURRENT ASSETS

At balance sheet date, a deficiency of $12,297,000 exists in the Consolidated Entity's net current assets. A significant portion of the current liabilities consist of interest-bearing loans and borrowings which are expected to be refinanced and be classified as non-current. Accordingly, the Directors are of the opinion that there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they fall due. Additional information with respect to the funding arrangements is included in the review of operations in the Directors' Report.

13. EVENTS AFTER BALANCE SHEET DATE

The Company intends to launch the AVJennings Residential Property Fund. The Fund will be unlisted and has a target closed-end life of 10 years. The Company has worked closely with its advisors, Investec, to ensure the Fund is structured appropriately for the current market.

The Fund is aiming to raise between $150 million and $200 million of equity. Whilst the intention is to achieve attractive returns to the investors in the Fund, the Fund will also deliver to the Company the capacity to acquire projects on behalf of the Fund, to take advantage of current market conditions including reducing interest rates and infrastructure levies, increased first home owners grant and reduced competition for assets. In addition, the Company will be able to derive income from project development, sales and provision of management skills, thereby gaining greater leverage from its core skills and the strength of the AVJennings brand, which continues to be a premier brand in Australian residential property development. This will enable the Company to reduce reliance on the multi-option facilities and result in smoother revenue streams with a greater portion accruing on a recurring basis.

It is intended that the Company will own a cornerstone investment in the Fund of 15% and will be able to co-invest in new projects acquired by the Fund. This equity share, together with the ability to earn additional returns from performance based management fees, will co-align the interests of the Company and the Fund.

Whilst the Company will have a 15% interest in the Fund, participation will be offered to large wholesale funds. The Fund will be chaired by an independent Chairman.

13. EVENTS AFTER BALANCE SHEET DATE (continued)

No other matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

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

Directors' Declaration
For the half-year ended 31 December 2008

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) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the Consolidated Entity; and

   (ii) complying 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.

Peter Summers
Director

20 February 2009

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To the members of AVJennings Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AVJennings Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AVJennings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AVJennings Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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*.

Ernst & Young

David Simmonds
Partner
Sydney
20 February 2009