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AVJennings

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ASX/Media Release: AVJ Announces Market Guidance

Residential property development company, AVJennings Limited, expects to provide between $32m - $37m on an after tax basis (pre-tax $45m - $53m) against the carrying values of its assets as at 30 June 2012. The Company expects to make a post-tax operating profit before provisioning of around $5.1m for the year and after provisioning a net loss of $27m - $32m. The amounts are subject to finalisation and audit of the 2012 accounts. The Company expects to release its Appendix 4E on 8 August 2012.

The provisioning is the result of a review of the carrying values of all of its assets and investments and represents an approximate 9.4% - 11.1% reduction in the book value of residential inventory. As a result the adjusted NTA is expected to be 99 - 97 cents per share.

The Company remains compliant with banking covenants.

The Company's conservative approach to land acquisitions and avoidance of land purchases during the period of high wholesale prices prior to the GFC, has meant that, AVJennings had not needed to provide against asset carrying values after the GFC occurred in 2008. A strategic approach to land selection, use of less capital intensive development structures and avoiding overbidding on purchases provided protection from the difficult market conditions over the last couple of years.

However, recent factors including the further deteriorating residential market conditions in early 2012 especially in many regional areas, and the delay in the timing and extent of the forecast recovery in Queensland and New South Wales, which had been expected in 2012, have resulted in reduced volumes and margins from those forecasted. Additionally, the Company has reassessed its operational strategies in relation to various projects. As a result the Company has revised the bases and assumptions used to determine the carrying value of its assets in undertaking its year end impairment testing and has therefore taken the prudent course to provision against the carrying value of those assets.

The projects affected are mainly in regional areas of Queensland and New South Wales.

The negative consumer sentiment appears to be driven by a number of factors including concerns over the impact of macro-economic factors in Europe and the US and the impact on Australia of any slowdown in China. It is also likely to reflect concerns over the political climate following the last federal election. As a result, some buyers appear to be delaying purchasing decisions.

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