AVJennings Limited
ABN: 44 004 327 771

30 June 2012 Preliminary Final Report
Appendix 4E

This 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 30 June 2011 and any public announcements made by AVJennings Limited during the year ended 30 June 2012 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

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Results for Announcement to the Market

Appendix 4E for the year ended 30 June 2012

	2012 $'000	2011 $'000	Increase/(Decrease) $'000	%
Continuing operations				
Revenues	188,809	215,901	(27,092)	(12.5)%
Profit/(loss) after tax from continuing operations	(29,828)	14,600	(44,428)	(304.3)%
Discontinued operations				
Loss after tax from discontinued operations	-	(1,707)	1,707	100.0%
Net profit/(loss) attributable to members	(29,828)	12,893	(42,721)	(331.4)%

Dividends	Cents per security	Franked amount per security at 30% tax
Current year		
Interim dividend	0.5	0.5
Final dividend	-	-
Total dividend	**0.5**	**0.5**
Previous year		
Interim dividend	1.0	1.0
Final dividend	1.5	1.5
Total dividend	**2.5**	**2.5**

The Company's Dividend Re-Investment Plan remains suspended.

Explanation of results

The Review of Operations in the attached Directors' Report provides an explanation of the results.

Directors' Report

For the year ended 30 June 2012

Your Directors present the Appendix 4E on the Company and its controlled entities for the year ended 30 June 2012.

DIRECTORS

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

S Cheong (Chairman)
RJ Rowley (Deputy Chairman)
PK Summers
E Sam
HR Hochstadt (Resigned 18 November 2011)
B Chin
BG Hayman
TP Lai (Appointed 18 November 2011)

REVIEW OF OPERATIONS

Financial results:

The result for the full year ended 30 June 2012 was a loss after tax of $29.8m (2011: $12.9m profit after tax). This included a provision for loss on inventory and investments of $34.9m. Net profit after tax and before provisioning was $5.1m.

Revenue, at $188.8m, was down from $215.9m due to continued subdued market conditions, especially in the second half year, across most projects.

The provisioning is the result of a review of the carrying values of all assets and investments and represents a 10.2% reduction in the book value of the Company's inventory. As a result, the NTA is 97 cents per share.

Notwithstanding the inventory impairments, the Company has responded to the current market conditions by continuing to review its overheads and achieving reductions where appropriate and strategically reassessing commencement of projects to those which are more capital efficient and generate the highest turnover.

The Company remains compliant with its banking covenants.

Directors' Report
For the year ended 30 June 2012

REVIEW OF OPERATIONS (continued)

Business Overview:

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 avoided the need to provision against asset carrying values after the GFC occurred in 2008. A strategic approach to land selection, use of less capital intensive acquisition structures and avoiding overbidding on purchases provided protection from the difficult market conditions over the last couple of years.

However, recent factors including the 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 reviewed its operational strategies in relation to various projects. As a result, the Company has reassessed 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 primarily in regional areas of Queensland and New South Wales.

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 poor political climate following the last federal election. As a result some buyers appear to be delaying decisions.

This crisis of confidence persists despite generally good economic conditions in Australia, relatively high and consistent GDP growth, low unemployment figures and continued high population growth. It also persists despite the accepted belief (espoused by the major banks, the RBA and others) that house prices in Australia will not suffer a sharp decline as experienced overseas, in the absence of a major economic shock.

As at 30 June 2012, Net Debt, including a proportionate share of joint venture net debt was $129.0m (2011: $82.3m). When taking into account deposits held in solicitors' trust accounts of $23.1m at 30 June 2012, the Net Debt was $105.9m. The increase in Net Debt is mainly attributable to payments for acquisitions in prior periods.

Outlook:

The Company has responded to market challenges by reducing costs, restructuring its management to drive greater accountability, by focussing its development expenditure on appropriate projects and by selectively reducing expenditure on some projects.

There are some lead indicators that conditions may improve at least in some markets. There has been improved visitor flow at some Queensland and New South Wales projects and the NSW government is finally addressing the poor housing policy environment in that state. Relatively stable prices over the last few years have also improved affordability in most states. Most state governments have introduced stimulus packages as part of recent budgets. Whilst these signs are positive, it is still too early to ascertain whether this is a precursor to a more general upturn in activity in the sector, and therefore more likely that short term trading conditions will remain challenging. The Company will continue to adopt strategies appropriate to such conditions including taking a moderate approach to levels of work-in-progress. This, in turn, will impact on short term profit as stock available for sale will be at lower levels at existing projects.

REVIEW OF OPERATIONS (continued)

Offsetting this, a number of new projects acquired in late 2010 are now at or nearing site commencement. This may have a positive impact going forward, particularly in the latter periods of the 2013 financial year.

The Company maintains a strong land bank with approximately 10,800 lots under control, and is well placed to take advantage of any upturn in the residential housing market. The majority of the projects are approved for development and some of the recently acquired projects will come to market over the next year. These projects, such as Cobbitty in NSW, are well placed to benefit from any improvement in the market should it occur. The Company is focussed on the affordable segment of the market which is the deepest and most resilient segment. Good results have been achieved leveraging off affordable NRAS (National Rental Affordability Scheme) product particularly in Queensland and the Company intends to expand this product offering in other states.

The fundamentals of the market remain positive, with improvements in affordability, low interest rates, underlying housing shortages in some markets and benign economic conditions expected to continue into at least 2014. The Company is positive that the housing market will recover and remains ready to respond to the recovery when it arrives.

Directors' Report

For the year ended 30 June 2012

DIVIDENDS

No final dividend has been proposed, paid, or is payable in relation to the year ended 30 June 2012 (2011 Final: 1.5 cents per fully paid share). An interim dividend of 0.5 cents per share was paid on 11 April 2012. Total dividends declared for the year ended 30 June 2012 were 0.5 cents per share (2011: 2.5 cents per share).

COMPARATIVE FIGURES

To enable meaningful comparison, some comparatives have been reclassified to conform with the current year's presentation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As mentioned in the Review of Operations, AVJennings has provided $49,932,000 before tax ($34,952,000 after tax) against the carrying values of its assets.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2012 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.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission 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.

The Appendix 4E is made in accordance with a resolution of the Directors.

Peter Summers
Director
8 August 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Continuing operations			
Revenues	3	188,809	215,901
Share of profits of associates and joint ventures accounted for using the equity method	11	5,759	1,779
Change in inventories, finished goods and work-in-progress		(151,244)	(153,986)
Provision for loss on inventories		(48,621)	-
Provision for loss on equity accounted investments		(1,311)	-
Other operational expenses		(5,595)	(5,375)
Advertising expenses		(3,250)	(3,437)
Display costs		(1,007)	(1,088)
Employee expenses		(19,088)	(21,535)
Depreciation and amortisation expense		(353)	(486)
Finance costs	3	(475)	(914)
Fair value (loss)/gain on interest rate derivatives		(119)	441
Other expenses		(9,459)	(11,357)
Profit/(loss) from continuing operations before income tax		**(45,954)**	**19,943**
Income tax credit/(expense)	4	16,126	(5,343)
Profit/(loss) from continuing operations after income tax		**(29,828)**	**14,600**
Discontinued operations			
Loss from discontinued operations after income tax	6	-	(1,707)
Net profit/(loss) for the year		**(29,828)**	**12,893**
Other comprehensive income			
Foreign currency translation		100	(427)
Other comprehensive income/(loss) for the year net of tax		**100**	**(427)**
Total comprehensive income/(loss) for the year		**(29,728)**	**12,466**

	Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to ordinary equity holders of the parent:		
Basic earnings per share	(10.99)	5.35
Diluted earnings per share	(11.03)	5.19
Earnings per share for profit/(loss) attributable to ordinary equity holders of the parent:		
Basic earnings per share	(10.99)	4.72
Diluted earnings per share	(11.03)	4.57

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 $'000	2011 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	4,560	12,260
Trade and other receivables		35,522	17,159
Inventories		74,738	131,231
Tax receivable		514	-
Other current assets		2,112	1,300
Total current assets		**117,446**	**161,950**
NON-CURRENT ASSETS			
Inventories		352,286	285,630
Investments accounted for using the equity method		24,407	41,131
Property, plant and equipment		1,174	1,087
Intangible assets		2,816	2,816
Total non-current assets		**380,683**	**330,664**
Total assets		**498,129**	**492,614**
CURRENT LIABILITIES			
Trade and other payables		46,946	48,485
Derivative financial instruments		187	68
Interest-bearing loans and borrowings		1,100	62,529
Tax payable		-	3,540
Provisions		3,667	3,235
Total current liabilities		**51,900**	**117,857**
NON-CURRENT LIABILITIES			
Trade and other payables		47,520	43,400
Interest-bearing loans and borrowings		123,137	6,619
Deferred tax liabilities		5,938	19,516
Provisions		641	694
Total non-current liabilities		**177,236**	**70,229**
Total liabilities		**229,136**	**188,086**
Net assets		**268,993**	**304,528**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	7	121,096	121,835
Reserves		430	(94)
Retained earnings		147,467	182,787
Total equity		**268,993**	**304,528**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

		Attributable to equity holders of the parent				Total equity
	Note	Issued capital $'000	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Retained earnings $'000	$'000
At 1 July 2010		**122,578**	**-**	**81**	**176,759**	**299,418**
Profit for the year		-	-	-	12,893	12,893
Other comprehensive loss for the year		-	(427)	-	-	(427)
Total comprehensive income for the year		-	(427)	-	12,893	12,466
Transactions with owners in their capacity as owners						
- Treasury shares acquired	7(b)	(743)	-	-	-	(743)
- Foreign currency translation reserve		-	10	-	-	10
- Share-based payment reserve			-	242	-	242
- Dividends paid	5	-	-	-	(6,865)	(6,865)
		(743)	(417)	242	6,028	5,110
At 30 June 2011		**121,835**	**(417)**	**323**	**182,787**	**304,528**
At 1 July 2011		**121,835**	**(417)**	**323**	**182,787**	**304,528**
Loss for the year		-	-	-	(29,828)	(29,828)
Other comprehensive income for the year		-	100	-	-	100
Total comprehensive loss for the year		-	100	-	(29,828)	(29,728)
Transactions with owners in their capacity as owners						
- Treasury shares acquired	7(b)	(739)	-	-	-	(739)
- Foreign currency translation reserve		-	60	-	-	60
- Share-based payment reserve		-		364	-	364
- Dividends paid	5	-	-	-	(5,492)	(5,492)
		(739)	160	364	(35,320)	(35,535)
At 30 June 2012		**121,096**	**(257)**	**687**	**147,467**	**268,993**

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		188,798	248,672
Payments to suppliers, land vendors and employees		(230,949)	(254,104)
Interest paid		(10,809)	(10,863)
Income tax paid		(3,498)	(1,157)
Net cash used in operating activities		**(56,458)**	**(17,452)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		53	819
Purchase of property, plant and equipment		(641)	(657)
Proceeds from sale of discontinued operations		-	21,304
Interest received		481	907
Distribution received		1,380	4,510
Dividends received		-	1,000
Investments in associates and joint venture entities		(1,361)	(3,594)
Net cash from /(used in) investing activities		**(88)**	**24,289**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		103,601	124,238
Loans from related parties		-	2,000
Repayment of borrowings		(48,482)	(137,120)
Payment of finance lease liability		(30)	(207)
Payment for treasury shares	7(b)	(739)	(743)
Equity dividends paid		(5,492)	(6,865)
Net cash from/(used in) financing activities		**48,858**	**(18,697)**
NET DECREASE IN CASH HELD		**(7,688)**	**(11,860)**
Cash and cash equivalents at beginning of year		12,260	24,110
Effects of exchange rate changes on cash and cash equivalents		(12)	10
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	**4,560**	**12,260**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

1. CORPORATE INFORMATION

The Appendix 4E ("the Report") of AVJennings Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 8 August 2012. The Company is incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange and the Singapore Exchange through the Central Limit Order Book System (CLOB).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This Report is prepared in accordance with Australian Accounting Standards.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2011 and considered together with any public announcements made by AVJennings Limited during the year-ended 30 June 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

This Report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. The accounting policies adopted are consistent with those of the previous financial year.

None of the new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2012. The Directors believe that these new or amended standards and interpretations do not have any material effect on the Report presented.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

3. REVENUES AND EXPENSES

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

	2012 $'000	2011 $'000
Revenues from continuing operations		
Developments	181,022	194,995
Home Improvements	2,060	7,993
Interest revenue	481	958
Management fees	2,913	3,579
Rental revenue	18	47
Royalty revenue	1,258	1,655
Sundry revenue	1,057	1,019
Expense recovery from third party	-	5,655
Total revenues	**188,809**	**215,901**
Finance costs		
Bank loans and overdrafts	10,809	10,844
Finance charges payable under finance leases	-	19
Total finance costs	10,809	10,863
Less: Amount capitalised to inventories	(10,334)	(9,949)
Finance costs expensed	**475**	**914**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

4. INCOME TAX

	2012 $'000	2011 $'000
Income tax expense		
The major components of income tax expense/(credit) are:		
Current income tax		
Current income tax charge	196	3,522
Adjustment for prior periods	(710)	117
Deferred income tax		
Current year temporary differences	(16,450)	2,000
Adjustment for prior periods	838	(9)
Income tax (credit)/expense reported in the *Consolidated Statement of Comprehensive Income*	**(16,126)**	**5,630**

Numerical reconciliation between aggregate tax expense recognised in the Consolidated Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate:

	2012 $'000	2011 $'000
Accounting profit/(loss) before income tax from continuing operations	**(45,954)**	**19,943**
Loss before income tax from discontinued operations	**-**	**(1,420)**
Total accounting profit/(loss) before income tax	**(45,954)**	**18,523**
Tax at Australian income tax rate of 30% (2011 - 30%)	(13,787)	5,557
Adjustment for prior periods	128	108
Equity accounted share of Joint Venture profits	(1,603)	(520)
Other non-deductible items and variations	(864)	485
Aggregate income tax (credit)/expense	**(16,126)**	**5,630**
Aggregate income tax (credit)/expense is attributable to:		
Continuing operations	(16,126)	5,343
Discontinued operations	-	287
	(16,126)	**5,630**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

5. DIVIDENDS

	2012 $'000	2011 $'000
Dividends paid and recognised		
2010 final dividend of 1.5 cents per fully paid share, paid 30 September 2010. Fully franked @ 30% tax	-	4,119
2011 interim dividend of 1.0 cent per fully paid share, paid 18 April 2011. Fully franked @ 30% tax	-	2,746
2011 final dividend of 1.5 cents per fully paid share, paid 19 October 2011. Fully franked @ 30% tax	4,119	-
2012 interim dividend of 0.5 cents per fully paid share, paid 11 April 2012. Fully franked @ 30% tax	1,373	-
Total dividends paid	**5,492**	**6,865**
Dividends proposed		
2011 final dividend of 1.5 cents per fully paid share, to be paid 19 October 2011. Fully franked @ 30% tax	-	4,119
Total dividends proposed	**-**	**4,119**

The Company's Dividend Reinvestment Plan remains suspended.

6. DISCONTINUED OPERATIONS

Comparatives for the year ended 30 June 2011 include results of the Contract Building Division which was discontinued on 31 July 2010.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

7. CONTRIBUTED EQUITY

	2012 Number	2011 Number	2012 $'000	2011 $'000
Ordinary shares	274,588,694	274,588,694	122,837	122,837
Treasury shares	(3,071,187)	(1,708,786)	(1,741)	(1,002)
Share capital			**121,096**	**121,835**

(a) Movement in ordinary share capital	**Number**	**Number**	**$'000**	**$'000**
As at the beginning of the year	274,588,694	274,588,694	122,837	122,837
As at the end of the year	**274,588,694**	**274,588,694**	**122,837**	**122,837**

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 year.

(b) Movement in treasury shares	2012 Number	2011 Number	2012 $'000	2011 $'000
As at the beginning of the year	(1,708,786)	(666,667)	(1,002)	(259)
Acquisition of shares by AVJ Deferred Employee Share Plan Trust	(1,695,735)	(1,375,452)	(739)	(743)
Employee share scheme issue	333,334	333,333	-	-
As at the end of the year	**(3,071,187)**	**(1,708,786)**	**(1,741)**	**(1,002)**

Treasury shares are shares in AVJennings Limited that are held by the AVJ Deferred Employee Share Plan Trust for the purpose of issuing shares to Executives via the AVJ Deferred Employee Share Plan.

The original cost of the shares is treated as a reduction in share capital and the underlying shares identified separately as treasury shares.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

8. CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Reconciliation to Consolidated Statement of Cash Flows		
For the purposes of *Consolidated Statement of Cash Flows,* cash and cash equivalents comprise the following:		
Cash at bank and in hand	4,560	12,260

9. NET TANGIBLE ASSET BACKING

	2012 $'000	2011 $'000
Net Tangible Asset backing (NTA) - cents per ordinary security	96.9	109.9

Ordinary shares on issue as at 30 June 2012 were 274,588,694 (2011: 274,588,694). Refer to note 7 for details.

10. INTEREST IN JOINT VENTURE OPERATIONS

The Consolidated Entity's interest in the profits and losses of Joint Venture Operations is included in the *Consolidated Statement of Comprehensive Income* under the following classifications:

	2012 $'000	2011 $'000
Revenues	12,549	10,364
Cost of sales	(10,358)	(8,783)
Other expenses	(1,641)	(803)
Profit before income tax	**550**	**778**
Income tax	(165)	(233)
Net profit attributable to members of the parent	**385**	**545**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

11. 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 *Consolidated Statement of Comprehensive Income*, and the share of movements in reserves is recognised in the *Consolidated Statement of Financial Position*. The information is set out below:

Equity accounted Associates & Joint Ventures	Interest held		Share of Net profit	
Name of Associate & Joint Ventures	2012	2011	2012 $'000	2011 $'000
Epping JV	10%	10%	395	240
Arlington Rise JV	-	45%	20	(193)
Creekwood (Meridan Plains)	-	50%	4,776	(136)
Eastwood	50%	50%	308	915
Sydney Olympic Park Development	50%	50%	-	-
Woodville	50%	50%	260	953
Profit after tax			**5,759**	**1,779**

On 30 September 2011, the Consolidated Entity purchased the equity held by the joint venture partner in Meridan Plains (also referred to as Creekwood). Meridan Plains does not constitute a business and has been accounted for as an asset acquisition. Creekwood Developments Pty Limited is now a fully owned subsidiary.

On 23 March 2012, the Consolidated Entity purchased the equity held by the joint venture partner in Arlington Rise. Arlington Rise does not constitute a business and has been accounted for as an asset acquisition.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

12. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Consolidated Entity's bankers in the normal course of business to unrelated parties, at 30 June 2012, amounted to $13,263,000 (2011: $18,304,000). No liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Consolidated Entity's bankers to unrelated parties in the normal course of business at 30 June 2012, amounted to $15,846,000 (2011: $15,663,000). No liability is expected to arise.

Unsecured

Contract performance bond facility

The Parent Entity has entered into a Deed of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to the Contract performance bond facility. Contingent liabilities in respect of certain performance bonds, granted by the Consolidated Entity's financiers, in the normal course of business as at 30 June 2012, amounted to $4,424,000 (2011: $1,139,000). No liability is expected to arise.

13. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

a) the Consolidated Entity's operations in the 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.

14. STATUS OF REVIEW OF ACCOUNTS

This Report is based on accounts which are in the process of being audited.