

22 November 2013

The Manager  
Company Announcements  
Australian Securities Exchange Limited  
Level 4, Rialto North Tower  
525 Collins Street  
Melbourne Vic 3000.

Dear Sir,

**ANNUAL GENERAL MEETING  
AVJENNINGS LIMITED**

Please find attached the Chairman's and Managing Director's address made at the Annual General Meeting of AVJennings Limited on 22 November 2013.

Yours faithfully,

A handwritten signature in blue ink, appearing to be 'Carl Thompson', written in a cursive style.

**Carl Thompson**  
Company Secretary.



## **CHAIRMAN'S ADDRESS – MR SIMON CHEONG**

Good morning ladies and gentlemen and welcome to the 2013 Annual General Meeting of AVJennings Limited. My name is Simon Cheong and as Chairman of the Board and Chair of the meeting I am delighted to welcome you here today. As there is a quorum present I declare this meeting open.

Firstly, I would like to introduce my fellow Directors. They are:

Mr Jerome Rowley – who is an independent Director and Deputy Chairman of the Board

Mr Peter Summers – the Company's Managing Director and Chief Executive Officer

Mr Bobby Chin – an independent Director

Mr Bruce Hayman – an independent Director

Mr Teck Poh Lai – an independent Director

Mrs Elizabeth Sam – a non-executive Director

Mr Carl Thompson who is the Company Secretary is also in attendance as well as Mr Mark Conroy, from Ernst and Young, the Company's External Auditor. Also here today are a number of senior executives and staff.

I will now provide a brief overview of AVJennings' performance during the year and Peter Summers will then expand on this by discussing our business operations. Following Peter's address, there will be a general forum for questions and comments. I will then proceed with the meeting's formal agenda as set out in the Notice of Meeting.

## **FY13 RESULTS**

For the 2013 financial year, the Company recorded a loss after tax of \$15.3 million which included a provision for loss on inventory and investments of \$16.1 million recorded in the first half. There were no impairments raised in the second half. Net profit after tax and prior to provisioning was \$0.8 million.

## **FY13 RESULTS (SECOND HALF IMPROVEMENT)**

The second half of the 2013 financial year provided evidence of the long awaited improvement in consumer sentiment towards the residential property sector. Buoyed by generally positive economic indicators, relatively stable employment conditions and a continued low interest environment, consumers have gradually returned to the housing market, particularly in New South Wales.

This improvement was flagged at the Annual General Meeting last year and was the basis for the Company ramping up production. This in turn, saw a significant sales improvement in the second half, resulting in second half profit of \$3.8 million

## **PURE RESIDENTIAL PROPERTY DEVELOPER**

Throughout the 8 decades our iconic brand has existed, it has experienced the cyclical nature of the residential property industry. There is no doubt that the last few years have presented a number of challenges for the Company. Our response has been to remain true to our core business of creating residential communities by offering diversity of land and housing options as well as focusing on the deepest sectors of the market. We have realised substantial economies of scale through our ability to control the built form in our projects and by maximising the use of land available. Investing in our design and internal building capabilities has also allowed us to build a deep knowledge across all aspects of our business, ultimately meeting the needs of our customers. The Board and management now believe that a sustainable recovery is underway particularly in the key market of New South Wales and Queensland

is showing early signs of recovery, which should bode well for the Company's performance over the medium term.

## **OUR PEOPLE**

Before handing over to Peter Summers, I would like to make a few final comments.

In respect of our People and on behalf of the Board, I would like to recognize the drive and enthusiasm of Peter and all the AVJennings staff. They have worked hard and remained fully focused and committed to adapting to the challenging market conditions of the last few years and have worked prudently and sensibly to respond to the gradually improved business environment. Together with our business partners, they form the backbone to our long term success and I am confident we have the right leadership, structure, skills and experience to provide the vision for a greater future.

In respect of our Board I would also like to acknowledge the support of my fellow Directors. In conclusion, I would like to thank my fellow shareholders for your continued support and reassure you that both the Board and Management remain focused on improving shareholder value.

I now invite Peter to provide his update and expand on performance and operations.

## **MANAGING DIRECTOR'S ADDRESS – MR PETER SUMMERS**

Thank you Simon. May I also extend a warm welcome to you all.

## **RESIDENTIAL DEVELOPMENT – CYCLICAL INDUSTRY**

In previous addresses to you I have commented on the cyclical nature of our business. The financial year to June 2013 was proof of that. The year started with very tentative signs of improvement with gradually increasing foot traffic through some of our projects. We commented at the AGM last year on the signs for cautious optimism. The second half provided a good indication that a recovery is well underway, particularly in New South Wales and to a lesser extent in Queensland. Whilst conditions have improved, we are conscious that sales and production are coming off a low base in the 2012 Financial Year. Whilst we remain careful in our response to the improvement in conditions, we look to the current year with a much more positive outlook for the sector.

## **RESIDENTIAL MARKET FUNDAMENTALS**

It was our view at the corresponding meeting last year, that market fundamentals were supportive of an improvement in the residential property sector. Interest rates have remained at historic lows, economic conditions in Australia have remained benign, the population continues to grow at relatively high rates, the gap in underlying demand remains as a result of underbuilding particularly in New South Wales and Queensland over the last few years, affordability continues to improve and household incomes remain ahead of house price growth. In addition global issues, particularly in Europe and the US, seem to have diminished or at least had less of an impact on consumer confidence, Asia remains economically prosperous and we have put the very long Federal election campaign behind us.

The missing ingredient in recent years was consumer confidence. This crucial factor has now finally started to emerge. The last six months have seen a sustained improvement in loan approvals and new dwelling approvals, as well as a significant improvement in enquiry levels and sales, particularly in New South Wales and Queensland and with solid performances from Victoria and South Australia. Our New Zealand project continues to perform well in a very solid Auckland market. It appears that the consumer has re-joined the market in force, after a considerable absence.

**AVJ BUSINESS MODEL**

Meeting the challenge of affordability is a key platform of our business. We focus on appealing to the deepest part of the market by offering affordable, quality and innovative product and community design. Many factors impact on affordability, but the main factor we can address is the efficient use of land. Efficient land use is a critical skill for us and the primary means of achieving our goal of offering affordable product. Our internal building capability also means we can lower costs through efficiencies in the built form, through procurement strategies and improved processes. We believe our strategy is the most appropriate, and will continue to deliver results for us.

**INVENTORY PROFILE**

The previous write-downs as a result of a periodic review of asset values related primarily to older projects which had accumulated significant holding costs and regional projects which were experiencing more difficult conditions. The effect has been an improvement in the viability of those projects which should lead to increased sales rates. This will enable us to move through our older projects at the same time as some of our newer, higher margin projects come into production..

Our focus will remain on the affordable segment of the market and we will be alert to movements in the markets to focus our attention where appropriate. We have cleared away some of the constraints which hindered some of our older projects. Our newer projects are exciting and we believe will deliver good returns over their life and so I would like to give a short overview of just a few of them.

**ARCADIAN HILLS, COBBITTY, NSW**

Cobbitty is a 457 lot project in the south west growth corridor in New South Wales. The project is DA approved and has just entered the construction phase. The project has a 5-6 year development profile and will benefit from the improvement in the New South Wales market, particularly in the South West growth corridor. We had experienced delays in production due to factors beyond the control of the Company. Those factors have now been resolved and we are currently on-site undertaking civil works. The project is expected to contribute to revenues towards the end of Financial Year 2014 or early Financial Year 2015.

**THE MILL APARTMENTS, EASTWOOD, NSW**

The successful Mill Apartments, 48 of which have been sold and which form part of our Cavanstone project at Eastwood in Sydney, commenced construction this year with completion expected around May 2014. Strong pre-sales were recorded before construction commenced.. The release of the 50 apartments has been very well received and should contribute to revenues in the second half of Financial Year 2014.

**EYRE AT PENFIELD, SA**

Eyre at Penfield in South Australia, comprises 1,750 lots and will be a cornerstone project for a number of years. It is located approximately 25 kilometres north of the Adelaide CBD in the northern growth corridor. The project has reached a milestone stage with the display village partly constructed and approximately 20 builders display homes on site. The project has begun contributing to revenues in Financial Year 2013 and momentum is expected to increase as the project matures..

**HAZELCROFT, DOREEN, Victoria**

Hazelcroft is a new 365 lot project in Melbourne's northern growth corridor. This project will support the Company's existing projects in the Epping region. Works commenced on site in July 2013 and Hazelcroft will contribute to revenues in the latter part of Financial Year 2014 and is expected to have a project development profile of around five years.

**HOBSONVILLE POINT, AUCKLAND, NEW ZEALAND**

The picturesque waterfront Hobsonville project in Auckland in New Zealand has continued to enjoy improved sales of late. This is a 605 lot development project in conjunction with the NZ government instrumentality – The Hobsonville Land Company. The site is located on a former NZ Airforce Base on the harbour with excellent accessibility to the Auckland CBD and we have sold approximately half the lots in the project.

**CORPORATE ACTIVITIES**

During the year the Company successfully renewed its core facilities with its bankers for a further two years to 30 September 2015. The Group remains compliant with its banking covenants.

In addition, in May 2013 the Group raised approximately \$40 million in new equity following the entitlement issue. The offering was highly successful with an approximately 87% acceptance rate and the balance taken up by underwriting. The new equity and the renewal of bank funding has enabled the Company to continue its build-up of work in progress, to meet land acquisition payments relating to previous acquisitions, and to increase investment in built form on selected projects. Also, the Company continues to actively explore further funding diversification to grow the business.

During the year the Company did not declare a dividend. The Board took the view that this was the prudent and sensible course in a difficult market. The Board recognises shareholders' desire to receive dividends and therefore, as market conditions continue to improve, the Company will reassess the position.

**OUTLOOK**

The market has continued its improvement throughout the second half and into Financial Year 2014. New leads are , up 138% at 2,701 for the period July to October 2013, compared to 1,134 for the same period last year.

Contract signings over the 4 months from July to October 2013 were 479, compared to 215 for the same period last year. Given the improvement in market conditions continues, then we would forecast contract signings for Financial Year 2014 in the range of 1200 – 1400 compared to contract signings in Financial Year 2013 of 819. These may not all contribute to revenues during the year as, generally revenues are recognised on settlement and weather and other interruptions can affect the timing of settlements. However contract signings do provide a good indication of production and sales performance throughout the year.

**BRAND**

Our brand is an important asset with a long history and a proud heritage. Our name stands for reliability, dependability, quality and integrity as confirmed by independent market research by Brand consultants, Doppio.

Our continued association with Steve Waugh, our Corporate Ambassador, and the Steve Waugh Foundation reinforces those attributes in the minds of our customers, our staff and our stakeholders. Steve's personal qualities reflect the qualities we hope to espouse. During the year we completed construction of the Renee house in Wadalba New South Wales and successfully auctioned the property, providing much needed funds to the Foundation, which does immense good for families who struggle with children suffering from rare diseases. In addition, we have recently commenced construction of The Renee II at our Lyndarum project in Victoria, which we hope will be as successful in raising funds for the Steve Waugh Foundation. We are proud to be able to support such a worthy cause and Steve and the Foundation are very appreciative of our involvement and support. Both The Renee I and The Renee II have been well supported by our suppliers and other business partners.

August 2013 saw the cessation of the agreement with Sekisui House to allow the use of AVJennings' brand, exclusively for contract building purposes. The dual use of the brand by 2 organisations, whilst necessary for the transitional period, was a necessary inconvenience. Cessation of the use of our brand name means our brand is once again exclusively under our control which is the preferred position.

**PEOPLE**

Our people are critical to our success and we must therefore invest wisely in our staff. We have established programs to create learning opportunities for our staff and provide opportunities for them to broaden and deepen their knowledge, to become leaders in the business and in their communities and to expand their education. We work hard to foster a strong, vibrant culture which emphasizes hard work, innovation, commitment and above all, integrity. Our aim is to foster a culture whereby we are an employer of choice.

In conclusion, I would like to thank all AVJennings employees and the Executive Team for their continued hard work and commitment throughout the year. Also, to my fellow Directors, thank you for your support and guidance. To our shareholders, we are well positioned to deliver better returns as market conditions continue to improve and we look forward to your continued support.

**ENDS**

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