



AVJennings Limited
ABN: 44 004 327 771

30 June 2021 Preliminary Final Report
Appendix 4E

This 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 30 June 2020 and any public announcements made by AVJennings Limited during the year ended 30 June 2021 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 2021

| | 2021 \$'000 | 2020 \$'000 | Increase \$'000 | % |
|---|-------------------|----------------|-------------------------------------|--------|
| Revenues | 311,090 | 262,354 | 48,736 | 18.6% |
| Profit after tax | 18,716 | 9,041 | 9,675 | 107.0% |
| Profit attributable to owners of the Company | 18,716 | 9,041 | 9,675 | 107.0% |
| Dividends | Cents per share | | Franked amount per share at 30% tax | |
| <u>Current period</u> | | | | |
| Interim dividend | 0.7 | | 0.7 | |
| Final dividend | 1.8 | | 1.8 | |
| Total dividend | 2.5 | | 2.5 | |
| <u>Previous period</u> | | | | |
| Interim dividend | 1.2 | | 1.2 | |
| Final dividend | 0.0 | | 0.0 | |
| Total dividend | 1.2 | | 1.2 | |
| Record date for determining entitlements to dividend: | 9 September 2021 | | | |
| Payment date: | 23 September 2021 | | | |
| Explanation of results | | | | |
| The Operating and Financial Review in the Directors' Report provides an explanation of the results. | | | | |

Directors' Report

For the year ended 30 June 2021

The Directors present their Report on the Company and its controlled entities for the year ended 30 June 2021.

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 | Non-Executive Chairman |
| RJ Rowley | Non-Executive Deputy Chairman |
| PK Summers | Managing Director and Chief Executive Officer |
| B Chin | Non-Executive Director |
| BG Hayman | Non-Executive Director |
| TP Lai | Non-Executive Director |
| BL Tan | Non-Executive Director |
| P Kearns | Non-Executive Director |
| L Chung | Non-Executive Director (appointed on 1 June 2021) |

OPERATING AND FINANCIAL REVIEW

Financial Results

AVJennings earned Profit Before Tax of \$26.7M for the year ended 30 June 2021, well up on the prior year (30 June 2020 PBT: \$13.2M) and its best result since 2018 (FY19 PBT: \$23.8M and FY18 PBT \$45.1M). Profit After Tax was \$18.7M (30 June 2020: \$9.0M).

In FY21, revenue increased to \$311.1M up from \$262.4M for 2020. Contract signings of 953 lots were well up on the prior period (FY20: 697 lots), with some 431 contracts amounting to \$127.1M carried across balance date. Around 402, amounting to \$111.6M, of these contracts are expected to settle during FY22, which will help underpin future results. The results included \$2.8M in JobKeeper receipts.

Average gross margin remained stable at 22.6%, while the average net margin improved slightly. The result was achieved after allowing for \$1.8M in additional provision (having no cash impact), that was largely confined to two projects in South Australia.

Dividend

The quality of the result coupled with the strong level of presales carried over balance date led directors to declare a final fully franked cash dividend of 1.8 cents per share, which together with the interim dividend of 0.7 cents per share declared for the first half, brings the total dividends declared, fully franked, in respect of FY21 to 2.5 cents per share. Based upon VWAP of 60.1366 cents per share (June 2021), this represents a yield of 4.2% before franking credits (fully franked 5.9% grossed up). The DRP will remain suspended.

Directors' Report

For the year ended 30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

Business Overview

Strong contributions were generated by our major regions, highlighting the benefits of geographical diversification. The first stage of our flagship project 'Ara Hills' in New Zealand was completed and achieved significant revenue recognition. 'Arcadian Hills' and 'Spring Farm' in New South Wales performed well, generating strong margins from net price escalation as demand outstripped supply. In Victoria, the latest stages of 'Lyndarum North' sold out and the bulk of apartments in the 'Empress' building at 'Waterline Place' settled. In Queensland, the current stages of 'Cadence' and 'Riverton' sold and settled.

Pleasingly, after a period of hiatus, activity in some lower margin South Australian and Queensland projects was stimulated, enabling us to accelerate the recovery of capital which will be redeployed with the intention of improving the mix of average Company margins in the future.

The FY21 period also saw significant milestones achieved which are critical to future results. The Company commenced development at Rosella Rise, Warnervale (New South Wales) and Aspect, Mernda (Victoria), in strong growth areas. Planning approvals were obtained, and physical works commenced at Harvest Square, Brunswick West, which is a project conducted in partnership with the Victorian Government that will see a much needed increase in the supply of high quality social housing in a great community setting. The Company also commenced planning for the next and largest apartment building at Waterline Place, Williamstown (Victoria). Excellent progress was also made in relation to the planning and approval process for our large-scale, master-planned project at Caboolture.

During FY21 the Company also increased the level of housing under construction at our projects. The year saw 181 dwellings started, compared with 132 dwellings in FY20 and we plan to increase this further in FY22. Increasing the level of built form not only provides more choice to customers, but also enables the Company to enhance returns by extracting maximum value from each project.

As the economy opened up and market conditions improved, work-in-progress levels increased. As at 30 June 2021 the company had 1,537 lots under development (FY20: 1,117 lots.) This has increased significantly from the earliest phase of the pandemic when the Company preserved capital and intentionally delayed the commencement of building activity unless it was directly connected with a sales contract. In addition to new starts during FY22, we expect to complete around 787 of these carried-over lots in FY22 (comprises land-only lots, houses and apartments), of which some 265 will be improved with low-rise dwellings.

Balance Sheet and Land Holdings

Strong settlements of 905 lots (FY20: 827 lots) drove net cash from operations of \$64.0M, well up on FY20 (\$10.6M). This enabled the Company to reduce net debt and gearing to \$125.4M and 20.1% (net debt/total assets) (FY20: \$184.4M and 28.1%) respectively, creating headroom to fund increased investment in work-in-progress and a programme of future acquisitions in line with the Company's significant growth ambitions.

Total inventory including land under option stood at 12,180 lots (FY20: 12,134 lots).

Directors' Report

For the year ended 30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

Outlook

The Company has previously acknowledged the short term importance of government support programs. However, the Company also stated its belief that as the economy recovered, the underlying strength of market fundamentals, which were starting to show through in early 2020, would be the main market driver. Hence, we expected we would see momentum continue, even after initiatives such as HomeBuilder expired. Pleasingly, this has proved to be the case, with around 87 contracts per month (average April-June 2021) signed after the conclusion of the JobKeeper and HomeBuilder initiatives.

The Company is well placed entering FY22 with some 431 pre-sales on hand. Like other years, the earnings bias is expected to be towards the second half, potentially more so as the country continues to experience the effects of lockdowns in the first half of FY22.

We are also well placed in terms of stock production with work under way on some 1,537 lots/housing. Whilst costs are increasing, so too are selling prices, giving us confidence overall margins will be maintained.

There has also been a shift in market preferences with apartments (particularly inner-city high rise) having less appeal. We remain confident the Company's focus on traditional housing product sees us well placed for the future.

Closed international borders will provide a challenge in the medium term. Long term we believe that both Australia and New Zealand will be attractive options for overseas migration.

Obviously, lockdowns have, and are likely to continue to impact on economic recovery. However, we saw how quickly the economy bounced back in the latter part of 2020 and we remain confident Australia and New Zealand will retain their economic strength.

Directors' Report

For the year ended 30 June 2021

OPERATING AND FINANCIAL REVIEW (continued)

DIVIDENDS

A fully franked interim dividend of 0.7 cents per share was paid on 26 March 2021 (30 June 2020 interim dividend: 1.2 cents). Subsequent to the end of the financial year, the directors have recommended a fully franked dividend of 1.8 cents per share to be paid on 23 September 2021. The Dividend Reinvestment Plan remains suspended.

COMPARATIVE FIGURES

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

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

Directors' Report

For the year ended 30 June 2021

ROUNDING

ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 is applicable to the Group and in accordance with that Instrument, amounts in the *Financial Report* and the *Directors' Report* are rounded to the nearest thousand dollars, unless otherwise stated.

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

A handwritten signature in black ink, appearing to be 'PS', written in a cursive style.

Peter Summers
Director
19 August 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|----------------|----------------|
| Continuing operations | | | |
| Revenue from contracts with customers | 3 | 311,090 | 262,354 |
| Revenue | | 311,090 | 262,354 |
| Cost of sales | 4 | (240,832) | (202,461) |
| Gross profit | | 70,258 | 59,893 |
| Share of loss of joint ventures | 11 | (2,295) | (66) |
| Change in equity accounted investment provisions | 4 | 1,554 | (947) |
| Change in inventory loss provisions | 4 | (1,793) | (1,629) |
| Fair value adjustment to financial asset | 13 | - | (516) |
| Fair value adjustment to investment property | 12 | 180 | (190) |
| Selling and marketing expenses | | (4,998) | (5,044) |
| Employee expenses | | (22,148) | (23,531) |
| Other operational expenses | | (5,650) | (6,210) |
| Management and administration expenses | | (6,944) | (7,805) |
| Depreciation and amortisation expenses | 4 | (1,860) | (2,125) |
| Finance income | 4 | 170 | 1,264 |
| Finance costs | 4 | (330) | (393) |
| Other income | 4 | 532 | 457 |
| Profit before income tax | | 26,676 | 13,158 |
| Income tax | 5 | (7,960) | (4,117) |
| Profit after income tax | | 18,716 | 9,041 |
| Other comprehensive income (OCI) | | | |
| Foreign currency translation loss | | (185) | (1,228) |
| Other comprehensive income | | (185) | (1,228) |
| Total comprehensive income | | 18,531 | 7,813 |
| Profit attributable to owners of the Company | | 18,716 | 9,041 |
| Total comprehensive income attributable to owners of the Company | | 18,531 | 7,813 |
| Earnings per share (cents per share): | | | |
| Basic earnings per share | | 4.62 | 2.23 |
| Diluted earnings per share | | 4.61 | 2.23 |

Consolidated Statement of Financial Position

As at 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | | 13,099 | 5,703 |
| Receivables | | 46,030 | 23,036 |
| Inventories | | 152,155 | 185,366 |
| Tax receivable | | 222 | 1,223 |
| Other assets | | 3,613 | 3,522 |
| Total current assets | | 215,119 | 218,850 |
| Non-current assets | | | |
| Receivables | | 163 | 12,042 |
| Inventories | | 388,662 | 401,997 |
| Investment property | 12 | 1,760 | 1,580 |
| Equity accounted investments | 11 | 4,895 | 5,636 |
| Financial asset | 13 | - | 1,695 |
| Plant and equipment | | 2,010 | 1,883 |
| Right-of-use assets | | 4,923 | 5,978 |
| Intangible assets | | 2,816 | 2,816 |
| Other assets | | 4,920 | 2,700 |
| Total non-current assets | | 410,149 | 436,327 |
| Total assets | | 625,268 | 655,177 |
| Current liabilities | | | |
| Payables | | 32,335 | 16,540 |
| Lease liabilities | | 1,189 | 1,542 |
| Tax payable | | 1,342 | 413 |
| Provisions | | 7,070 | 5,848 |
| Total current liabilities | | 41,936 | 24,343 |
| Non-current liabilities | | | |
| Payables | | 15,545 | 27,546 |
| Borrowings | | 138,549 | 190,110 |
| Lease liabilities | | 4,054 | 5,060 |
| Deferred tax liabilities | | 15,066 | 14,039 |
| Provisions | | 1,009 | 949 |
| Total non-current liabilities | | 174,223 | 237,704 |
| Total liabilities | | 216,159 | 262,047 |
| Net assets | | 409,109 | 393,130 |
| Equity | | | |
| Contributed equity | 7 | 173,740 | 174,179 |
| Reserves | | 8,953 | 8,408 |
| Retained earnings | | 226,416 | 210,543 |
| Total equity | | 409,109 | 393,130 |

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

| | Note | Attributable to equity holders of AVJennings Limited | | | Total Equity | |
|---|------|--|--|---------------------------------------|-----------------------------|-----------------|
| | | Contributed Equity \$'000 | Foreign Currency Translation Reserve \$'000 | Share-based Payment Reserve \$'000 | Retained Earnings \$'000 | \$'000 |
| At 1 July 2019 | | 174,509 | 4,256 | 4,626 | 212,886 | 396,277 |
| Effect of adoption of new leases accounting standard | | - | - | - | (416) | (416) |
| At 1 July 2019 (restated) | | 174,509 | 4,256 | 4,626 | 212,470 | 395,861 |
| <i>Comprehensive income:</i> | | | | | | |
| Profit for the year | | - | - | - | 9,041 | 9,041 |
| Loss for the year | | - | (1,228) | - | - | (1,228) |
| Total comprehensive income for the year | | - | (1,228) | - | 9,041 | 7,813 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| - Treasury shares acquired | 7(b) | (330) | - | - | - | (330) |
| - Share-based payment expense reversed (lapsed rights) | | - | - | (225) | - | (225) |
| - Share-based payment expense | | - | - | 979 | - | 979 |
| - Dividends paid | 6 | - | - | - | (10,968) | (10,968) |
| Total transactions with owners in their capacity as owners | | (330) | - | 754 | (10,968) | (10,544) |
| At 30 June 2020 | | 174,179 | 3,028 | 5,380 | 210,543 | 393,130 |
| At 1 July 2020 | | 174,179 | 3,028 | 5,380 | 210,543 | 393,130 |
| <i>Comprehensive income:</i> | | | | | | |
| Profit for the year | | - | - | - | 18,716 | 18,716 |
| Loss for the year | | - | (185) | - | - | (185) |
| Total comprehensive income for the year | | - | (185) | - | 18,716 | 18,531 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| - Treasury shares acquired | 7(b) | (439) | - | - | - | (439) |
| - Share-based payment expense reversed (lapsed rights) | | - | - | (70) | - | (70) |
| - Share-based payment expense | | - | - | 800 | - | 800 |
| - Dividends paid | 6 | - | - | - | (2,843) | (2,843) |
| Total transactions with owners in their capacity as owners | | (439) | - | 730 | (2,843) | (2,552) |
| At 30 June 2021 | | 173,740 | 2,843 | 6,110 | 226,416 | 409,109 |

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 331,084 | 275,933 |
| Payments to other suppliers and employees (inclusive of GST) | | (253,876) | (246,123) |
| Interest paid | | (8,231) | (10,144) |
| Income tax paid | | (5,008) | (9,031) |
| Net cash from operating activities | | 63,969 | 10,635 |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (366) | (1,145) |
| Interest received | | 170 | 1,264 |
| Net cash (used in)/from investing activities | | (196) | 119 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 78,787 | 85,460 |
| Repayment of borrowings | | (130,348) | (95,685) |
| Principal elements of lease payments | | (1,500) | (1,761) |
| Net payment for treasury shares | | (439) | (330) |
| Dividends paid | 6 | (2,843) | (10,968) |
| Net cash used in financing activities | | (56,343) | (23,284) |
| Net increase/(decrease) in cash and cash equivalents | | 7,430 | (12,530) |
| Cash and cash equivalents at beginning of the year | | 5,703 | 18,209 |
| Effects of exchange rate changes on cash and cash equivalents | | (34) | 24 |
| Cash and cash equivalents at end of the year | | 13,099 | 5,703 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 19 August 2021. The Company is a for profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and the Singapore Exchange through SGX GlobalQuote.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared using accounting policies which are consistent with those adopted in the annual financial statements for the year ended 30 June 2020.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2020 and considered together with any public announcements made by AVJennings Limited during the year ended 30 June 2021 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.

Some amendments and interpretations apply for the first time in 2021, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

JobKeeper Payment Scheme

The Federal Government introduced a JobKeeper Payment scheme to support businesses significantly affected by COVID-19 to help keep more Australians in jobs.

The Group was eligible for JobKeeper payments from 30 March 2020 to 3 January 2021. Payments have been accounted for in accordance with *AASB 120 – Accounting for Government Grants and Disclosure of Government Assistance*. A total amount of \$2,840,000 (30 June 2020: \$1,556,000) has been claimed in the year to 30 June 2021. The credit has been recorded as an offset against employee expenses in the *Consolidated Statement of Comprehensive Income*.

Comparative Figures

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

The disaggregation of the Group's revenue from contracts with customers is set out below:

| Operating Segments 30 June 2021 | NSW \$'000 | VIC \$'000 | QLD \$'000 | SA \$'000 | NZ \$'000 | Other* \$'000 | Total \$'000 |
|--|---------------|---------------|---------------|---------------|---------------|------------------|-----------------|
| Types of goods or services | | | | | | | |
| Sale of land | 19,565 | 16,263 | 50,271 | 10,836 | 42,850 | - | 139,785 |
| Sale of integrated housing | 56,755 | 20,644 | 13,453 | 11,164 | 1,515 | - | 103,531 |
| Sale of apartments | - | 54,653 | - | - | - | 10,288 | 64,941 |
| Property development & other services | 317 | 2,516 | - | - | - | - | 2,833 |
| Total revenue from contracts with customers | 76,637 | 94,076 | 63,724 | 22,000 | 44,365 | 10,288 | 311,090 |

| | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Timing of revenue recognition | | | | | | | |
| Goods transferred at a point in time | 76,320 | 91,560 | 63,724 | 22,000 | 44,365 | 10,288 | 308,257 |
| Services transferred over time | 317 | 2,516 | - | - | - | - | 2,833 |
| Total revenue from contracts with customers | 76,637 | 94,076 | 63,724 | 22,000 | 44,365 | 10,288 | 311,090 |

*Relates to Western Australia

| Operating Segments 30 June 2020 | NSW \$'000 | VIC \$'000 | QLD \$'000 | SA \$'000 | NZ \$'000 | Other \$'000 | Total \$'000 |
|--|----------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Types of goods or services | | | | | | | |
| Sale of land | 48,324 | 19,512 | 31,409 | 7,457 | 25,317 | - | 132,019 |
| Sale of integrated housing | 65,299 | 23,909 | 8,700 | 8,759 | 7,747 | - | 114,414 |
| Sale of apartments | - | 13,161 | - | - | - | - | 13,161 |
| Property development & other services | 247 | 2,513 | - | - | - | - | 2,760 |
| Total revenue from contracts with customers | 113,870 | 59,095 | 40,109 | 16,216 | 33,064 | - | 262,354 |

| | | | | | | | |
|--|----------------|---------------|---------------|---------------|---------------|----------|----------------|
| Timing of revenue recognition | | | | | | | |
| Goods transferred at a point in time | 113,623 | 56,582 | 40,109 | 16,216 | 33,064 | - | 259,594 |
| Services transferred over time | 247 | 2,513 | - | - | - | - | 2,760 |
| Total revenue from contracts with customers | 113,870 | 59,095 | 40,109 | 16,216 | 33,064 | - | 262,354 |

(b) Revenue recognition accounting policy

(i) Sale of land, integrated housing and apartments

Revenue from the sale of land, houses and apartments is recognised at a point in time when control is transferred to the customer. Except for certain contractual arrangements discussed on Page 15, this occurs at settlement when legal title passes and an enforceable right to payment exists.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

3. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

For the following contractual arrangements, revenue is recognised prior to settlement where the customer has obtained control, and a right to payment exists:

- Revenue from the sales of land on deferred terms to builders in New Zealand. The builder gains control of the land at the point when the contract is unconditional, physical works are complete and building can be commenced.
- Sales of englobo land on deferred terms. Control passes when the contract is unconditional, physical works are complete and the customer has unfettered rights to the land before settlement.
- Revenue from the sales of land to builders in Australia where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land at the point when the contract is unconditional, physical works are complete and building can be commenced.

(ii) Property development and other services

AVJennings Properties Ltd provides property development and other services to joint venture arrangements entered into by other entities within the Group. The performance obligation is satisfied over-time and revenue is progressively recognised based on the terms of the service agreement.

(iii) Financing components

The Group does not expect to have any contracts for the sale of land, integrated housing and apartments where the duration between the transfer of the goods to the customer and payment by the customer exceeds one year in Australia.

In the case of certain contracts for the sale of land in New Zealand and the provision of services in Australia, the duration may exceed one year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4. INCOME AND EXPENSES

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Revenues | | |
| Revenue from contracts with customers | 311,090 | 262,354 |
| Total revenues | 311,090 | 262,354 |
| Cost of sales include: | | |
| Utilisation of inventory provisions | (774) | (456) |
| Amortisation of finance costs capitalised to inventories | 8,783 | 7,730 |
| Impairment of assets | | |
| (Reversal)/provision - equity accounted investment | (1,554) | 947 |
| Increase in inventory loss provisions | 1,793 | 1,629 |
| For the year ended 30 June 2021, the movement in inventory provision resulted from a realignment of future assumptions with current market conditions relating to projects in South Australia and Western Australia. For the prior year, the movement related to projects in Queensland and South Australia. | | |
| Depreciation and amortisation expense | | |
| Depreciation of owned assets | 236 | 284 |
| Amortisation of right-of-use assets | 1,624 | 1,841 |
| Total depreciation and amortisation expense | 1,860 | 2,125 |
| Finance income | | |
| Interest from financial assets held for cash management purposes | 170 | 1,264 |
| Finance costs | | |
| Bank loans and overdrafts | 7,911 | 9,809 |
| Interest on lease liabilities | 320 | 335 |
| Total finance costs | 8,231 | 10,144 |
| Less: Amount capitalised to inventories | (7,901) | (9,751) |
| Finance costs expensed | 330 | 393 |
| Other income | | |
| Rent from investment property | 96 | 125 |
| Sundry income | 436 | 332 |
| Total other income | 532 | 457 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

5. INCOME TAX

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| (a) Income tax expense | | |
| The major components of income tax are: | | |
| Current income tax | | |
| - Current income tax charge | 6,896 | 4,822 |
| - Adjustment for prior year | 35 | 226 |
| Deferred income tax | | |
| - Current temporary differences | 1,029 | (764) |
| - Adjustment for prior year | - | (167) |
| Income tax reported in the Consolidated Statement of Comprehensive Income | 7,960 | 4,117 |

(b) Numerical reconciliation between aggregate tax recognised in the Consolidated Statement of Comprehensive Income and tax calculated per the statutory income tax rate

| | | |
|--|---------------|---------------|
| Accounting profit before income tax | 26,676 | 13,158 |
| Tax at Australian income tax rate of 30% | 8,003 | 3,947 |
| Net share of equity accounted joint venture loss | 689 | 20 |
| Other (non-assessable)/non-deductible items | (588) | 205 |
| Foreign jurisdiction losses | - | (16) |
| Effect of lower tax rate in foreign jurisdiction | (179) | (98) |
| Adjustment for prior year | 35 | 59 |
| Income tax expense | 7,960 | 4,117 |
| Effective tax rate | 30% | 31% |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

6. DIVIDENDS

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| <i>Cash dividends declared and paid</i> | | |
| 2019 final dividend of 1.5 cents per share, paid 20 September 2019. Fully franked @ 30% tax | - | 6,093 |
| 2020 interim dividend of 1.2 cents per share, paid 27 March 2020. Fully franked @ 30% tax | - | 4,875 |
| 2021 interim dividend of 0.7 cents per share, paid 26 March 2021. Fully franked @ 30% tax | 2,843 | - |
| Total cash dividends declared and paid | 2,843 | 10,968 |
| <i>Dividends proposed</i> | | |
| 2021 final dividend of 1.8 cents per share, to be paid 23 September 2021. Fully franked @ 30% tax | 7,312 | - |
| Total dividends proposed | 7,312 | - |

The Company's Dividend Reinvestment Plan remains suspended.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

7. CONTRIBUTED EQUITY

| | 2021 Number | 2020 Number | 2021 \$'000 | 2020 \$'000 |
|---|--------------------|--------------------|------------------|------------------|
| Ordinary shares | 406,230,728 | 406,230,728 | 177,961 | 177,961 |
| Treasury shares | (735,799) | - | (4,221) | (3,782) |
| Share capital | 405,494,929 | 406,230,728 | 173,740 | 174,179 |
| (a) Movement in ordinary share capital | Number | Number | \$'000 | \$'000 |
| At beginning and end of the period | 406,230,728 | 406,230,728 | 177,961 | 177,961 |
| (b) Movement in treasury shares | Number | Number | \$'000 | \$'000 |
| As at the beginning of the year | - | (762,619) | (3,782) | (3,452) |
| On market acquisition of shares | (735,799) | (757,523) | (439) | (435) |
| Excess funds received from AVJDESP | - | - | - | 105 |
| Employee share scheme issue | - | 1,520,142 | - | - |
| At the end of the period | (735,799) | - | (4,221) | (3,782) |

During the year, 735,799 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust (AVJDESP) at a cost of \$439,000. Shares held by AVJDESP are disclosed as treasury shares and deducted from contributed equity.

Holders of ordinary shares are entitled to dividends and to one vote per share at shareholder meetings.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. OPERATING SEGMENTS

The Group operates primarily in residential development.

The Group determines segments based on information that is provided to the Managing Director who is the Chief Operating Decision Maker (CODM). The CODM assesses the performance and makes decisions about the resources to be allocated to the segment. Each segment prepares a detailed finance report on a monthly basis which summarises the following:

- Historic results of the segment; and
- Forecast of the segment for the remainder of the year.

Reportable segments

Jurisdictions:

This includes activities relating to Land Development, Integrated Housing and Apartments Development.

Other:

This includes revenue from the sale of apartments in Western Australia and numerous low value items.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. OPERATING SEGMENTS (continued)

The following table presents the revenues and results information regarding operating segments:

| Operating Segments | NSW | | VIC | | QLD | | SA | | NZ | | Other | | Total | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Revenues | | | | | | | | | | | | | | |
| External sales | 76,320 | 113,623 | 91,560 | 56,582 | 63,724 | 40,109 | 22,000 | 16,216 | 44,365 | 33,064 | 10,288 | - | 308,257 | 259,594 |
| Management fees | 317 | 247 | 2,516 | 2,513 | - | - | - | - | - | - | - | - | 2,833 | 2,760 |
| Total segment revenues | 76,637 | 113,870 | 94,076 | 59,095 | 63,724 | 40,109 | 22,000 | 16,216 | 44,365 | 33,064 | 10,288 | - | 311,090 | 262,354 |
| Results | | | | | | | | | | | | | | |
| Segment results | 17,544 | 16,433 | 10,702 | 8,612 | 7,823 | 1,889 | (778) | (1,591) | 9,955 | 5,676 | 484 | 1,532 | 45,730 | 32,551 |
| Share of loss of joint venture | - | - | - | - | - | - | - | - | - | - | (2,295) | (66) | (2,295) | (66) |
| Other non-segment revenue | - | - | - | - | - | - | - | - | - | - | 606 | 1,596 | 606 | 1,596 |
| Rent from investment property | - | - | 96 | 125 | - | - | - | - | - | - | - | - | 96 | 125 |
| Change in inventory loss provisions | - | - | - | - | - | (1,310) | (1,593) | (319) | - | - | (200) | - | (1,793) | (1,629) |
| Fair value adjustments | - | - | 180 | (190) | - | - | - | - | - | - | - | (516) | 180 | (706) |
| Reversal/(provision) - equity accounted investment | - | - | - | - | - | - | - | - | - | - | 1,554 | (947) | 1,554 | (947) |
| Unallocated expenses | - | - | - | - | - | - | - | - | - | - | - | - | (17,072) | (17,373) |
| Unallocated interest expense | - | - | - | - | - | - | - | - | - | - | - | - | (330) | (393) |
| Profit before income tax | | | | | | | | | | | | | 26,676 | 13,158 |
| Income tax | | | | | | | | | | | | | (7,960) | (4,117) |
| Net profit | | | | | | | | | | | | | 18,716 | 9,041 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8. OPERATING SEGMENTS (continued)

The following table presents the assets and liabilities information regarding operating segments:

| <i>Operating Segments</i> | NSW | | VIC | | QLD | | SA | | NZ | | Other | | Total | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Assets | | | | | | | | | | | | | | |
| Segment assets | 168,504 | 172,600 | 159,623 | 165,975 | 108,241 | 128,513 | 42,705 | 56,954 | 119,326 | 107,901 | 26,869 | 23,234 | 625,268 | 655,177 |
| Total assets | 168,504 | 172,600 | 159,623 | 165,975 | 108,241 | 128,513 | 42,705 | 56,954 | 119,326 | 107,901 | 26,869 | 23,234 | 625,268 | 655,177 |
| Liabilities | | | | | | | | | | | | | | |
| Segment liabilities | 27,589 | 22,497 | 12,711 | 10,182 | 3,304 | 4,458 | 1,538 | 1,227 | 50,339 | 48,680 | 120,678 | 175,003 | 216,159 | 262,047 |
| Total liabilities | 27,589 | 22,497 | 12,711 | 10,182 | 3,304 | 4,458 | 1,538 | 1,227 | 50,339 | 48,680 | 120,678 | 175,003 | 216,159 | 262,047 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

9. NET TANGIBLE ASSET BACKING

| | 2021 | 2020 |
|---|-------|------|
| Net Tangible Asset (NTA) backing - cents per ordinary share | 100.2 | 96.1 |

The number of ordinary shares used in the computation of NTA as at 30 June 2021 was 405,494,929 (30 June 2020: 406,230,728). Refer to note 7 for details.

Net tangible assets are calculated using the values of net assets less intangible assets, as per the respective balance sheet headings.

10. INTEREST IN JOINT OPERATIONS

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

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------|----------------|----------------|
| Revenues | 17,746 | 20,826 |
| Cost of sales | (11,907) | (13,069) |
| Other expenses | (807) | (1,150) |
| Profit before income tax | 5,032 | 6,607 |
| Income tax | (1,510) | (1,982) |
| Profit after income tax | 3,522 | 4,625 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in a joint venture are accounted for using the equity method of accounting and are initially carried at cost. Under the equity method, the Group's share of the results of the joint venture are 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 joint ventures | Interest held | | Share of loss | |
|-------------------------------------|-----------------|-----------------|----------------|----------------|
| | 30 June 2021 | 30 June 2020 | 2021 \$'000 | 2020 \$'000 |
| Pindan Capital Group Dwelling Trust | 33.3% | 33.3% | (2,295) | (66) |
| Loss after income tax | | | (2,295) | (66) |

Part of the Pindan Group has been placed into Administration. A Pindan entity is the current Trustee of the Trusts that hold the above investments. Pindan does not hold any beneficial interest in the trusts or the underlying projects. The beneficial interest is owned by various unit holders which include AVJennings. The unitholders are in the process of either replacing the Trustee or acquiring the Trustee from the Administrator (Ernst & Young). There is no reason to believe Pindan's administration will impact the above investment.

12. INVESTMENT PROPERTY

The Group accounts for its investment property at fair value and revaluations are recognised through profit and loss. The fair value at reporting date has been determined by the Directors with reference to the latest external valuation performed by Knight Frank as at 21 November 2018.

The Capitalisation Approach using a capitalisation rate of 6.50% (30 June 2020: 7.00%), and Direct Comparison Approach methods have been adopted in determining the fair value.

| | | |
|---|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Opening balance at 1 July | 1,580 | 1,770 |
| Gain/(loss) from fair value remeasurement | 180 | (190) |
| Closing balance at 30 June | 1,760 | 1,580 |

13. FINANCIAL ASSET

On 2 October 2020, the remaining units in the unlisted property fund were purchased by the Group for a total consideration of \$9,735,000. This resulted in the Group acquiring certain Trusts whose assets included completed apartments and land. The transaction was accounted for as an asset acquisition.

14. BORROWINGS

The borrowings consist of bank loans which are recorded at amortised cost.

The Group remains compliant with all lending covenants.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

15. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group's bankers in the normal course of business to unrelated parties, at 30 June 2021, amounted to \$4,938,000 (30 June 2020: \$15,894,000). No material liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 30 June 2021, amounted to \$1,049,000 (30 June 2020: \$1,031,000). No material liability is expected to arise.

Unsecured

Contract performance bond facility

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to Contract performance bond facilities. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 30 June 2021, amounted to \$22,004,000 (30 June 2020: \$30,377,000). No material liability is expected to arise.

16. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

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

17. STATUS OF REVIEW OF ACCOUNTS

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