



AVJennings Limited  
ABN: 44 004 327 771

30 June 2022 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 2021 and any public announcements made by AVJennings Limited during the year ended 30 June 2022 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.



## Contents

	<b>Page</b>
Results for Announcement to the Market.....	3
Directors' Report.....	4
Consolidated Statement of Comprehensive Income.....	9
Consolidated Statement of Financial Position.....	10
Consolidated Statement of Changes in Equity.....	11
Consolidated Statement of Cash Flows.....	12
Notes to the Consolidated Financial Statements.....	13
1 Corporate information.....	13
2 Basis of preparation and accounting policies.....	13
3 Revenues from contracts with customers.....	14
4 Income and expenses.....	16
5 Income tax.....	17
6 Dividends .....	18
7 Contributed equity .....	19
8 Operating segments .....	20
9 Net tangible asset backing.....	23
10 Interest in joint operations.....	23
11 Investments accounted for using the equity method.....	24
12 Investment property.....	24
13 Borrowings.....	24
14 Contingencies.....	25
15 Significant events after the balance sheet date.....	25
16 Status of review of accounts.....	25

# AVJennings®

## Results for Announcement to the Market

Appendix 4E for the year ended 30 June 2022

	2022 \$'000	2021 \$'000	Decrease	
			\$'000	%
Revenues	222,814	311,090	(88,276)	(28.4)%
Profit after tax	13,078	18,716	(5,638)	(30.1)%
Profit attributable to owners of the Company	13,078	18,716	(5,638)	(30.1)%
<b>Dividends</b>	Cents per share		Franked amount per share at 30% tax	
<u>Current year</u>				
Interim dividend	1.10		1.10	
Final dividend	0.67		0.67	
<b>Total dividend</b>	<b>1.77</b>		<b>1.77</b>	
<u>Previous year</u>				
Interim dividend	0.70		0.70	
Final dividend	1.80		1.80	
<b>Total dividend</b>	<b>2.50</b>		<b>2.50</b>	
Record date for determining entitlements to dividend:	8 September 2022			
Payment date:	22 September 2022			
<i>The Operating and Financial Review in the Directors' Report provides an explanation of the results.</i>				

# Directors' Report

For the year ended 30 June 2022

The Directors present their Report on the Company and its controlled entities for the year ended 30 June 2022.

## 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
P Kearns	Chief Executive Officer and Managing Director <i>(appointed CEO on 10 January and MD on 17 February 2022, formerly Non-Executive Director)</i>
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
L Chung	Non-Executive Director
LM Mak	Non-Executive Director <i>(appointed 15 October 2021)</i>
PK Summers	Chief Executive Officer and Managing Director <i>(retired 1 January 2022)</i>
BL Tan	Non-Executive Director <i>(retired 14 October 2021)</i>

## OPERATING AND FINANCIAL REVIEW

### Financial Results

AVJennings' Profit Before Tax (PBT) of \$17.9M for the year ended 30 June 2022, is down on the prior year (30 June 2021 PBT: \$26.7M). Profit After Tax was \$13.1M (30 June 2021: \$18.7M).

The FY22 financial result is in line with the ASX market announcement released on 1 July 2022 which indicated that PBT would fall within the range of \$16M to \$18M. The operating results have been significantly impacted by persistent and abnormal wet weather particularly affecting our Sydney, Brisbane and Auckland projects. In addition, production delays as a result of supply chain blockages, material and labour shortages as well as ongoing COVID-19 related interruptions have delayed timing of settlements.

The result of the factors above has meant land development and house building construction activities have been delayed. Particular projects affected are Rosella Rise at Warnervale and Evergreen at Spring Farm in New South Wales (NSW), Ara Hills at Orewa in New Zealand (NZ), Lyndarum-North in Victoria (Vic) and Cadence at Ripley and Riverton at Jimboomba in Queensland (Qld) amongst others.

Contract signings of 250 lots, generating revenue of \$98M (excl GST) which were expected to settle during the financial year are now expected to settle in the first half of FY23. The Company had 683 sale contracts on hand at 30 June 2022, the vast majority of which are expected to settle during FY23.

Average gross margins of 28.8% improved from the prior year (FY21: 22.6%), indicating strong pricing growth during the year which more than offset cost increases experienced through the business.

# Directors' Report

For the year ended 30 June 2022

## OPERATING AND FINANCIAL REVIEW (continued)

### Dividend

The lower than expected result was caused mainly by timing differences for revenue recognition as discussed above, however the strong financial position of the Company has allowed the Directors to declare a final dividend of 0.67 cents per share fully franked. Together with the interim dividend of 1.1 cents per share fully franked declared for the first half, this brings the total dividend declared, fully franked, in respect of FY22 to 1.77 cents per share. Based on VWAP of 46.12 cents per share (June 22), this represents a yield of 3.8% before franking credits (fully franked 5.5% grossed up). The DRP will remain suspended.

### Business Overview

The business experienced a series of unprecedented events including ongoing effects of COVID-19 disruptions on our staff and that of suppliers and sub-contractors. Supply chain issues lead to material shortages and cost increases mainly affecting timber, steel, tiles, gyprock, glass, concrete and aluminium amongst other products. Additionally, skilled labour shortages affecting the sub-contractor trade base, local councils and authorities and, most of all, the persistent relentless adverse weather events affected our projects in NSW, Qld and Auckland (NZ). These all impacted the ability to meet production targets. NSW alone has experienced three natural disaster flooding events over the last 15 months.

The timing and combination of these events in the life cycle of the development process has been particularly significant and has resulted in consequential delays across the portfolio and contributed to a lower second half result. Traditionally, the pattern of earnings in recent times has seen second half results generally stronger than the first half.

Sales have remained solid through FY22 in line with stock availability. Our new projects launched towards the end of FY21, Rosella Rise at Warnervale in NSW and Aspect at Mernda in Vic, have experienced strong sales in the release of the first two stages, with demand for the next stages remaining high.

In NSW, Arcadian Hills at Cobbitty and Evergreen at Spring Farm continued to perform well in FY22 with escalated price growth.

In Auckland, Ara Hills remains sought after as a premium development on the North Side and all lots released have sold. The demand for good quality land in a sought after location by our partner builders continued to be solid in FY22.

In Qld, Riverton at Jimboomba and Cadence at Ripley continued strong sales momentum in FY22 with all stages released sold out.

In Vic, Lyndarum-North experienced elevated demand with all stages released having sold out.

The Company remains active in acquiring land for future growth, profits and shareholder returns. Pleasingly throughout FY22, the Company made a number of strategic acquisitions including:

- 1,168 lots to be developed across 4 projects in Clyde, a fast growing area in the City of Casey in the south-east of Melbourne. This increases and further diversifies the Company's land bank given the Company has no existing community developments within the region; and
- 333 lots acquired via development rights across a new project at Ripley, south-west of Brisbane. This project provides continuity in the area from our strong Cadence project with high demand for land and built form product to be offered in a sought-after location.

# Directors' Report

For the year ended 30 June 2022

## OPERATING AND FINANCIAL REVIEW (continued)

The Company also remains active with a number of strong opportunities in the growth corridors of Sydney, Melbourne, Brisbane and regionally, including the Southern Highlands, South Coast and Western regions of NSW and Geelong in Vic.

Pleasingly, sales activity in some lower margin South Australian (Riverhaven at Goolwa North and Pathways at Murray Bridge) and Queensland projects has continued, 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. It is expected that these projects will complete during FY23.

Planning approvals were obtained, and physical works commenced during FY22 at Harvest Square in Brunswick West (Vic), 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 completed planning on both the Merchant at Waterline Place in Williamstown (Vic) and Kogarah (NSW) apartment projects with construction forecast to commence in 1H23. Progress was also made in relation to the planning and approval process for our large-scale, master-planned project at Caboolture (Qld).

As of 30 June 2022, the Company had 1,888 lots under development (FY21: 1,537 lots). This continues the momentum carried forward from FY22 where increases in land and housing construction activity was ramped up to meet demand.

### Balance Sheet and Land Holdings

While settlements of 608 lots were lower than FY21 at 905 lots, the Company's cash position remains strong with cash from operations at \$33.1M. This enabled the Company to reduce net debt and gearing to \$105.9M and 14.5% (net debt/total assets) respectively (FY21: \$125.4M and 20.1%), 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 12,733 lots (FY21: 12,180 lots), the highest inventory total in over 14 years, reflecting progress in the strategy to grow the development pipeline.

### Outlook

Market fundamentals for our industry remain solid with low unemployment levels (currently at full employment), underlying housing demand remaining greater than supply, wages starting to lift, and immigration forecast to return to pre-pandemic levels by 2024, all despite recent interest rate rises and inflationary pressures. This provides the Company a solid platform for the future. Despite recent increases in the Australian and NZ cash rates we have not seen any settlements default. Sales pricing remains steady and we have not seen reductions in house values as evidenced in some established markets or, indeed, in prestige markets.

There has been some softening in enquiry levels as a result of a combination of uncertainty over global factors, lack of stock and rising interest rates. However, the lack of suitable affordable housing in the markets we operate in provides the Company the basis to grow the built form on our projects. We are now at the early stages of introducing a prefabrication and modular housing strategy to radically cut built form construction time frames, improve energy ratings of the dwellings and improve their affordability at time of purchase and for ongoing living costs.

As international borders open and immigration starts to reach pre pandemic levels, the need for housing will increase and we will be well placed to deliver land and housing to meet that demand.

# Directors' Report

For the year ended 30 June 2022

## OPERATING AND FINANCIAL REVIEW (continued)

As we have seen from recent announcements, State and Federal Government assistance packages including stamp duty concessions and low deposit mortgage schemes to first home buyers remain at the forefront to drive economic activity despite recent interest rate rises from the RBA.

High rents due to virtually little or no investment stock has also further shifted the buy versus rent equation towards the buy option.

Whilst head-winds remain from supply chain issues, construction cost increases and potential future interest rate rises, the Company believes that our customer base will remain active as the need for good quality affordable land and housing remains fundamental to the needs of the community. The Company will also be focused on Environmental, Social, and Governance (ESG) outcomes and incorporating ESG opportunities such as a focus on energy efficient houses, into our production and procurement processes to achieve improved results. A recent restructure within the operations area in particular will focus more on delivery and production timeframes to meet the needs of our customers.

AVJennings remains committed to deliver the outcomes our customers, stakeholders and the community expect given the 90 year anniversary milestone recently achieved. With the support of our staff, all stakeholders including sub-contractors, suppliers and finance providers, the Board believes AVJennings is on the right trajectory to deliver sustainable profits expected by all our shareholders.

## DIVIDENDS

A fully franked interim dividend of 1.1 cents per share was paid on 25 March 2022 (30 June 2021 interim dividend: 0.7 cents). Subsequent to the end of the financial year, the Directors have recommended a fully franked final dividend of 0.67 cents per share to be paid on 22 September 2022. The Dividend Reinvestment Plan remains suspended.

## COMPARATIVE FIGURES

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

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2022 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 2022

### 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 blue ink, appearing to read 'Philip Kearns', with a long horizontal flourish extending to the right.

Philip Kearns AM  
*Director*  
18 August 2022



# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Continuing operations</b>			
Revenue from contracts with customers	3	222,814	311,090
<b>Revenue</b>		<b>222,814</b>	<b>311,090</b>
Cost of sales	4	( 158,702 )	( 240,832 )
<b>Gross profit</b>		<b>64,112</b>	<b>70,258</b>
Share of profit/(loss) of joint ventures	11	1,647	( 2,295 )
Change in equity accounted investment provisions	4	( 1,489 )	1,554
Change in inventory loss provisions	4	-	( 1,793 )
Fair value adjustment to investment property	12	( 4 )	180
Selling and marketing expenses		( 3,469 )	( 4,998 )
Employee expenses	4	( 28,815 )	( 22,148 )
Other operational expenses		( 4,950 )	( 5,650 )
Management and administration expenses		( 7,472 )	( 6,944 )
Depreciation and amortisation expenses	4	( 1,743 )	( 1,860 )
Finance income	4	127	170
Finance costs	4	( 303 )	( 330 )
Other income	4	296	532
<b>Profit before income tax</b>		<b>17,937</b>	<b>26,676</b>
Income tax	5	( 4,859 )	( 7,960 )
<b>Profit after income tax</b>		<b>13,078</b>	<b>18,716</b>
<b>Other comprehensive income (OCI)</b>			
Foreign currency translation loss		( 1,755 )	( 185 )
<b>Other comprehensive loss</b>		<b>( 1,755 )</b>	<b>( 185 )</b>
<b>Total comprehensive income</b>		<b>11,323</b>	<b>18,531</b>
Profit attributable to owners of the Company		<b>13,078</b>	<b>18,716</b>
Total comprehensive income attributable to owners of the Company		<b>11,323</b>	<b>18,531</b>
<b>Earnings per share (cents):</b>			
Basic earnings per share		3.22	4.62
Diluted earnings per share		3.22	4.61

# Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,274	13,099
Receivables		14,566	46,030
Inventories		150,448	152,155
Tax receivable		922	222
Other assets		3,283	3,613
<b>Total current assets</b>		<b>172,493</b>	<b>215,119</b>
<b>Non-current assets</b>			
Receivables		1,155	163
Inventories		538,396	388,662
Investment property	12	1,756	1,760
Equity accounted investments	11	5,053	4,895
Plant and equipment		2,059	2,010
Right-of-use assets		5,783	4,923
Intangible assets		2,816	2,816
Other assets		-	4,920
<b>Total non-current assets</b>		<b>557,018</b>	<b>410,149</b>
<b>Total assets</b>		<b>729,511</b>	<b>625,268</b>
<b>Current liabilities</b>			
Payables		93,935	32,335
Lease liabilities		1,252	1,189
Tax payable		523	1,342
Provisions		6,732	7,070
<b>Total current liabilities</b>		<b>102,442</b>	<b>41,936</b>
<b>Non-current liabilities</b>			
Payables		88,141	15,545
Borrowings		109,190	138,549
Lease liabilities		4,962	4,054
Deferred tax liabilities		15,599	15,066
Provisions		1,148	1,009
<b>Total non-current liabilities</b>		<b>219,040</b>	<b>174,223</b>
<b>Total liabilities</b>		<b>321,482</b>	<b>216,159</b>
<b>Net assets</b>		<b>408,029</b>	<b>409,109</b>
<b>Equity</b>			
Contributed equity	7	173,506	173,740
Reserves		6,810	8,953
Retained earnings		227,713	226,416
<b>Total equity</b>		<b>408,029</b>	<b>409,109</b>

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	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
<b>At 1 July 2020</b>		<b>174,179</b>	<b>3,028</b>	<b>5,380</b>	<b>210,543</b>	<b>393,130</b>
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	18,716	18,716
Loss for the year		-	(185)	-	-	(185)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(185)</b>	<b>-</b>	<b>18,716</b>	<b>18,531</b>
<i>Transactions with owners in their capacity as owners:</i>						
- Treasury shares acquired	7(b)	(439)	-	-	-	(439)
- Share-based payment expense reversed		-	-	(70)	-	(70)
- Share-based payment expense		-	-	800	-	800
- Dividends paid	6	-	-	-	(2,843)	(2,843)
<b>Total transactions with owners in their capacity as owners</b>		<b>(439)</b>	<b>-</b>	<b>730</b>	<b>(2,843)</b>	<b>(2,552)</b>
<b>At 30 June 2021</b>		<b>173,740</b>	<b>2,843</b>	<b>6,110</b>	<b>226,416</b>	<b>409,109</b>
<b>At 1 July 2021</b>		<b>173,740</b>	<b>2,843</b>	<b>6,110</b>	<b>226,416</b>	<b>409,109</b>
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	13,078	13,078
Loss for the year		-	(1,755)	-	-	(1,755)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(1,755)</b>	<b>-</b>	<b>13,078</b>	<b>11,323</b>
<i>Transactions with owners in their capacity as owners:</i>						
- Treasury shares acquired	7(b)	(234)	-	-	-	(234)
- Share-based payment expense reversed		-	-	(969)	-	(969)
- Share-based payment expense		-	-	581	-	581
- Dividends paid	6	-	-	-	(11,781)	(11,781)
<b>Total transactions with owners in their capacity as owners</b>		<b>(234)</b>	<b>-</b>	<b>(388)</b>	<b>(11,781)</b>	<b>(12,403)</b>
<b>At 30 June 2022</b>		<b>173,506</b>	<b>1,088</b>	<b>5,722</b>	<b>227,713</b>	<b>408,029</b>

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		275,568	331,084
Payments to other suppliers and employees (inclusive of GST)		( 229,406 )	( 253,876 )
Interest paid	4	( 7,271 )	( 8,231 )
Income tax paid		( 5,783 )	( 5,008 )
<b>Net cash from operating activities</b>		<b>33,108</b>	<b>63,969</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		( 253 )	( 366 )
Interest received	4	127	170
<b>Net cash used in investing activities</b>		<b>( 126 )</b>	<b>( 196 )</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		96,934	78,787
Repayment of borrowings		( 126,293 )	( 130,348 )
Principal element of lease payments		( 1,429 )	( 1,500 )
Net payment for treasury shares		(234)	(439)
Dividends paid	6	( 11,781 )	(2,843)
<b>Net cash used in financing activities</b>		<b>( 42,803 )</b>	<b>( 56,343 )</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>( 9,821 )</b>	<b>7,430</b>
Cash and cash equivalents at beginning of the year		13,099	5,703
Effects of exchange rate changes on cash and cash equivalents		( 4 )	( 34 )
<b>Cash and cash equivalents at end of the year</b>		<b>3,274</b>	<b>13,099</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 1. CORPORATE INFORMATION

The Consolidated Report of AVJennings Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 18 August 2022. 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 2021.

It is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2021 and considered together with any public announcements made by AVJennings Limited during the year ended 30 June 2022 in accordance with 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.

Some amendments and interpretations apply for the first time in 2022, 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.

### ***Comparative Figures***

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 2022	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other* \$'000	Total \$'000
<b>Types of goods or services</b>							
Sale of land	18,898	16,753	36,039	8,774	11,488	-	91,952
Sale of integrated housing	57,791	24,864	21,009	4,027	-	-	107,691
Sale of apartments	-	13,999	-	-	-	6,523	20,522
Property development & other services	-	2,649	-	-	-	-	2,649
<b>Total revenue from contracts with customers</b>	<b>76,689</b>	<b>58,265</b>	<b>57,048</b>	<b>12,801</b>	<b>11,488</b>	<b>6,523</b>	<b>222,814</b>

<b>Timing of revenue recognition</b>							
Goods transferred at a point in time	76,689	55,616	57,048	12,801	11,488	6,523	220,165
Services transferred over time	-	2,649	-	-	-	-	2,649
<b>Total revenue from contracts with customers</b>	<b>76,689</b>	<b>58,265</b>	<b>57,048</b>	<b>12,801</b>	<b>11,488</b>	<b>6,523</b>	<b>222,814</b>

Operating Segments 30 June 2021	NSW \$'000	VIC \$'000	QLD \$'000	SA \$'000	NZ \$'000	Other* \$'000	Total \$'000
<b>Types of goods or services</b>							
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
<b>Total revenue from contracts with customers</b>	<b>76,637</b>	<b>94,076</b>	<b>63,724</b>	<b>22,000</b>	<b>44,365</b>	<b>10,288</b>	<b>311,090</b>

<b>Timing of revenue recognition</b>							
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
<b>Total revenue from contracts with customers</b>	<b>76,637</b>	<b>94,076</b>	<b>63,724</b>	<b>22,000</b>	<b>44,365</b>	<b>10,288</b>	<b>311,090</b>

\*Relates to Western Australia

### (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 2022

## 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 Limited 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 2022

## 4. INCOME AND EXPENSES

	2022 \$'000	2021 \$'000
<b>Revenues</b>		
Revenue from contracts with customers	222,814	311,090
<b>Total revenues</b>	<b>222,814</b>	<b>311,090</b>
<b>Cost of sales include:</b>		
Utilisation of inventory provisions	( 2,360 )	( 774 )
Amortisation of finance costs capitalised to inventories	6,975	8,783
<b>Impairment of assets</b>		
Provision/(reversal) - equity accounted investment	1,489	( 1,554 )
Increase in inventory loss provisions	-	1,793
<b>Employee expenses include:</b>		
JobKeeper payment credits	-	( 2,840 )
Retirement payment to Key Management Personnel	2,983	-
<b>Depreciation and amortisation expense</b>		
Depreciation of owned assets	204	236
Amortisation of right-of-use assets	1,539	1,624
<b>Total depreciation and amortisation expense</b>	<b>1,743</b>	<b>1,860</b>
<b>Finance income</b>		
Interest from financial assets held for cash management purposes	127	170
<b>Finance costs</b>		
Bank loans and overdrafts	6,989	7,911
Interest on lease liabilities	282	320
Total finance costs	7,271	8,231
Less: Amount capitalised to inventories	( 6,968 )	( 7,901 )
<b>Finance costs expensed</b>	<b>303</b>	<b>330</b>
<b>Other income</b>		
Rent from investment property	105	96
Sundry income	191	436
<b>Total other income</b>	<b>296</b>	<b>532</b>



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 5. INCOME TAX

	2022 \$'000	2021 \$'000
<b>(a) Income tax expense</b>		
The major components of income tax are:		
Current income tax		
- Current income tax charge	4,591	6,896
- Adjustment for prior year	( 229 )	35
Deferred income tax		
- Current temporary differences	311	1,029
- Adjustment for prior year	186	-
<b>Income tax reported in the Consolidated Statement of Comprehensive Income</b>	<b>4,859</b>	<b>7,960</b>
<b>(b) Numerical reconciliation between aggregate tax recognised in the Consolidated Statement of Comprehensive Income and tax calculated per the statutory income tax rate:</b>		
<b>Accounting profit before income tax</b>	<b>17,937</b>	<b>26,676</b>
Tax at Australian income tax rate of 30%	5,381	8,003
Net share of equity accounted joint venture (profit)/loss	( 494 )	689
Other non-deductible/(non-assessable) items	96	( 588 )
Foreign jurisdiction losses	( 30 )	-
Effect of lower tax rate in foreign jurisdiction	( 51 )	( 179 )
Adjustment for prior year	( 43 )	35
<b>Income tax expense</b>	<b>4,859</b>	<b>7,960</b>
<b>Effective tax rate</b>	<b>27%</b>	<b>30%</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. DIVIDENDS

	2022 \$'000	2021 \$'000
<b><i>Cash dividends declared and paid</i></b>		
2021 interim dividend of 0.7 cents per share, paid 26 March 2021. Fully franked @ 30% tax	-	2,843
2021 final dividend of 1.8 cents per share, paid 23 September 2021. Fully franked @ 30% tax	7,312	-
2022 interim dividend of 1.1 cents per share, paid 25 March 2022. Fully franked @ 30% tax	4,469	-
<b>Total cash dividends declared and paid</b>	<b>11,781</b>	<b>2,843</b>
<b><i>Dividends proposed</i></b>		
2021 final dividend of 1.8 cents per share, paid 23 September 2021. Fully franked @ 30% tax	-	7,312
2022 final dividend of 0.67 cents per share, to be paid 22 September 2022. Fully franked @ 30% tax	2,722	-
<b>Total dividends proposed</b>	<b>2,722</b>	<b>7,312</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 7. CONTRIBUTED EQUITY

	2022 Number	2021 Number	2022 \$'000	2021 \$'000
Ordinary shares	406,230,728	406,230,728	177,961	177,961
Treasury shares	( 498,815 )	( 735,799 )	( 4,455 )	( 4,221 )
<b>Share capital</b>	<b>405,731,913</b>	<b>405,494,929</b>	<b>173,506</b>	<b>173,740</b>
<hr/>				
<b>(a) Movement in ordinary share capital</b>	<b>Number</b>	<b>Number</b>	<b>\$'000</b>	<b>\$'000</b>
<hr/>				
<b>At the beginning and end of the year</b>	<b>406,230,728</b>	<b>406,230,728</b>	<b>177,961</b>	<b>177,961</b>
<hr/>				
<b>(b) Movement in treasury shares</b>	<b>Number</b>	<b>Number</b>	<b>\$'000</b>	<b>\$'000</b>
At the beginning of the year	( 735,799 )	-	( 4,221 )	( 3,782 )
On market acquisition of shares	( 498,815 )	( 735,799 )	( 234 )	( 439 )
Employee share scheme issue	735,799	-	-	-
<b>At the end of the year</b>	<b>( 498,815 )</b>	<b>( 735,799 )</b>	<b>( 4,455 )</b>	<b>( 4,221 )</b>

Treasury shares are held by AVJ Deferred Employee Share Plan Trust (AVJDESP) 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 2022

## 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 2022

## 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Revenues</b>														
External sales	76,689	76,320	55,616	91,560	57,048	63,724	12,801	22,000	11,488	44,365	6,523	10,288	220,165	308,257
Management fees	-	317	2,649	2,516	-	-	-	-	-	-	-	-	2,649	2,833
<b>Total segment revenues</b>	<b>76,689</b>	<b>76,637</b>	<b>58,265</b>	<b>94,076</b>	<b>57,048</b>	<b>63,724</b>	<b>12,801</b>	<b>22,000</b>	<b>11,488</b>	<b>44,365</b>	<b>6,523</b>	<b>10,288</b>	<b>222,814</b>	<b>311,090</b>
<b>Results</b>														
Segment results	19,410	10,893	(1,959)	5,858	(480)	4,058	(1,402)	(2,674)	2,507	8,850	(716)	1,343	17,360	28,328
Share of profit/(loss) of joint venture	-	-	-	-	-	-	-	-	-	-	1,647	(2,295)	1,647	(2,295)
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	318	606	318	606
Rent from investment property	-	-	105	96	-	-	-	-	-	-	-	-	105	96
Change in inventory loss provisions	-	-	-	-	-	-	-	(1,593)	-	-	-	(200)	-	(1,793)
Fair value adjustments	-	-	(4)	180	-	-	-	-	-	-	-	-	(4)	180
(Provision)/reversal - equity accounted investment	-	-	-	-	-	-	-	-	-	-	(1,489)	1,554	(1,489)	1,554
Profit before income tax													17,937	26,676
Income tax													(4,859)	(7,960)
<b>Net profit</b>													<b>13,078</b>	<b>18,716</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Assets</b>														
Segment assets	171,869	168,504	286,011	159,623	122,041	108,241	43,012	42,705	89,812	119,326	16,766	26,869	729,511	625,268
<b>Total assets</b>	<b>171,869</b>	<b>168,504</b>	<b>286,011</b>	<b>159,623</b>	<b>122,041</b>	<b>108,241</b>	<b>43,012</b>	<b>42,705</b>	<b>89,812</b>	<b>119,326</b>	<b>16,766</b>	<b>26,869</b>	<b>729,511</b>	<b>625,268</b>
<b>Liabilities</b>														
Segment liabilities	30,475	27,589	127,912	12,711	19,710	3,304	2,481	1,538	28,757	50,339	112,147	120,678	321,482	216,159
<b>Total liabilities</b>	<b>30,475</b>	<b>27,589</b>	<b>127,912</b>	<b>12,711</b>	<b>19,710</b>	<b>3,304</b>	<b>2,481</b>	<b>1,538</b>	<b>28,757</b>	<b>50,339</b>	<b>112,147</b>	<b>120,678</b>	<b>321,482</b>	<b>216,159</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 9. NET TANGIBLE ASSET BACKING

	2022	2021
Net Tangible Asset (NTA) backing - cents per ordinary share	99.9	100.2

The number of ordinary shares used in the computation of NTA as at 30 June 2022 was 405,731,913 (30 June 2021: 405,494,929). 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:

	2022 \$'000	2021 \$'000
Revenues	14,921	17,746
Cost of sales	( 12,988 )	( 11,907 )
Other expenses	( 562 )	( 807 )
<b>Profit before income tax</b>	<b>1,371</b>	<b>5,032</b>
Income tax	( 411 )	( 1,510 )
<b>Profit after income tax</b>	<b>960</b>	<b>3,522</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 profit/(loss)	
	30 June 2022	30 June 2021	2022 \$'000	2021 \$'000
Pindan Capital Group Dwelling Trust	33.3%	33.3%	1,647	(2,295)
<b>Profit/(loss) after income tax</b>			<b>1,647</b>	<b>(2,295)</b>

A number of Pindan entities operated as trustees of the trusts that hold the above investments. In September 2021, Pindan Capital Pty Limited (in liquidation) agreed to sell shares in the trustee entities to Dorado Syndicate 59 Pty Limited in trust for the unitholders. As a result of that transaction, the Pindan Group holds no legal or beneficial interest in the trusts or the underlying projects. The legal ownership is in Dorado Syndicate 59 Pty Limited on trust for the unitholders and the beneficial interest is held by the unitholders, which include AVJennings. A provision for \$1,489,000 has been recognised against this investment at 30 June 2022.

## 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 30 June 2022 has been determined by Directors with reference to the most recent external valuation performed by Knight Frank on 24 November 2021.

The Capitalisation Approach using a capitalisation rate of 5.75% and Direct Comparison Approach methods have been adopted in determining the fair value.

	2022	2021
	\$'000	\$'000
<b>Opening balance at 1 July</b>	1,760	1,580
(Loss)/gain from fair value remeasurement	(4)	180
<b>Closing balance at 30 June</b>	<b>1,756</b>	<b>1,760</b>

## 13. 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 2022

## 14. 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 2022, amounted to \$4,579,000 (30 June 2021: \$4,938,000). 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 2022, amounted to \$1,515,000 (30 June 2021: \$1,049,000). 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 2022, amounted to \$34,764,000 (30 June 2021: \$22,004,000). No material liability is expected to arise.

## 15. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2022 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.

## 16. STATUS OF REVIEW OF ACCOUNTS

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