Housing matters. Community matters.

AVJennings

Annual Report 2016

AVJennings Limited ABN 44 004 327 771

Contents.

Chairman's report.

Dear Fellow Shareholders,

On behalf of the Board of Directors I am pleased to present our 2016 Annual Report.

Our Company has reported another strong result this year. Profit before tax increased 22% on the previous year to $58.8 million. Gearing remains conservative at 17.9%, which is indicative of a sound balance sheet, and despite healthy sales, we have been able to maintain our land bank of 10,048 lots at similar levels to last year (10,198 lots).

By maintaining high levels of production, as well as the impact of acquiring the joint venture interests in certain projects in the previous year, we were able to increase turnover. This increased turnover together with stable gross margins in most jurisdictions contributed to the pleasing full year result. It enabled us to declare a final dividend of 3.5 cents bringing total dividends declared for the year to 5.0 cents per share.

This time last year the Directors said they remained confident the Company was well positioned for future growth and twelve months on that has not only proved correct, but we continue to hold that view because we believe the market is supported by positive fundamentals.

While specific micro-markets such as some inner-city areas of Sydney, Melbourne and Brisbane have experienced significant growth in supply and prices, this is not true of most of the markets in which the Company operates. In these markets, there remains continuing demand and under-supply, particularly in New South Wales and Victoria. Around half of Australia's population lives in these two states. The historically low interest rate environment is likely to remain for the foreseeable future. Employment outlook remains stable amidst an increasing population.

The Company is confident that demand for its products is sustainable given its clear strategy of delivering traditional housing solutions at affordable prices in well-planned communities rather than participating in more volatile segments.

It is our unwavering commitment to be a strategy led company that has underpinned another year of strong results. We make considered decisions about how to proceed, and importantly how not to, and this has resulted in a consistently high return for you, my fellow shareholders.

At a wider company level, we have continued to strengthen our position and business. Significant steps include replenishing our land bank in our strategic geographical locations and the continued development of our three key assets – people, product and brand.

It would be tempting to think the current favourable market conditions have carried the Company along. While it is true we are operating in a propitious environment, the strong results would not be possible without the adherence to strategy and the dedication and expertise of our staff. Without their resolute commitment to building quality affordable housing in thriving communities, our strategy would not be implemented with the same level of success.

It is therefore with great pride that I reflect on another significant year in the 84 year history of this remarkable Company. One in which the AVJennings staff, under the leadership of our CEO Peter Summers, have achieved another increase in revenue and profit.

As Chairman, I would like to thank my fellow Directors for their active engagement and invaluable contributions during the year. Their wise counsel and business acumen enables the Board to appropriately balance oversight and guidance in the interests of all stakeholders. I am particularly grateful for the assistance rendered by Directors in fostering deeper relationships between management and newer financiers to the Company, whose ongoing involvement strengthens our lending platform.

Lastly, it is pleasing to see a number of new shareholders on the register and we warmly welcome you. I am delighted those shareholders that have been with the Company through the difficult times are now enjoying healthy returns on their investment. The outlook remains promising for all AVJennings shareholders and I would like to thank you for your continued support.

Simon Cheong
Chairman

FY16 Highlights.

STRONG FINANCIAL GROWTH

- Revenue +32.7%
- PBT +22.0%
- EPS +18.6%

INCREASED SHAREHOLDER RETURNS

- Fully franked final dividend of 3.5 cents
- Interim + final dividend is 5 cents fully franked (+25%), yielding ~7.5% at current prices
- 3 consecutive years of dividend growth

FINANCIAL FLEXIBILITY MAINTAINED

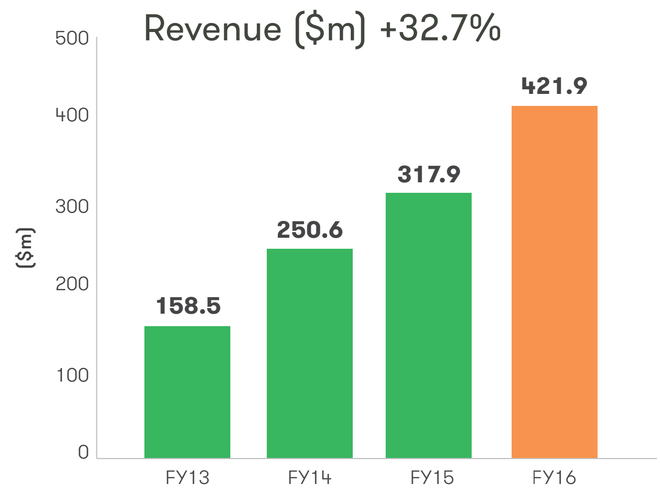
- Gearing at 17.9%
- $250 million 'Club' banking facility extended to Sept 2018
- Healthy and stable product pipeline of ~10k+ lots

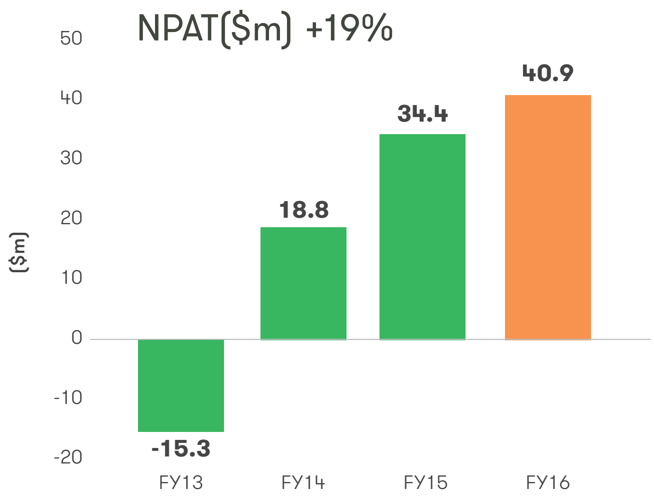
SUSTAINABLE OPERATIONS

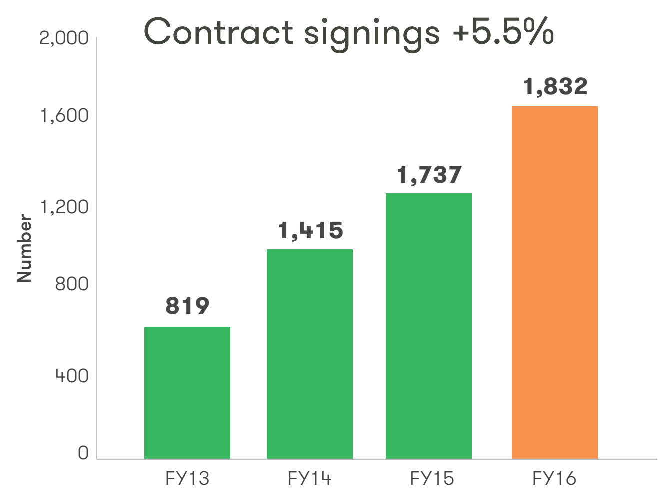
- Contract signings (lots) +5.5%; WIP +11.2%
- Geographically diverse project pipeline in urban growth corridors
- Traditional housing undersupplied; Stable and domestic customer profile; Affordable product

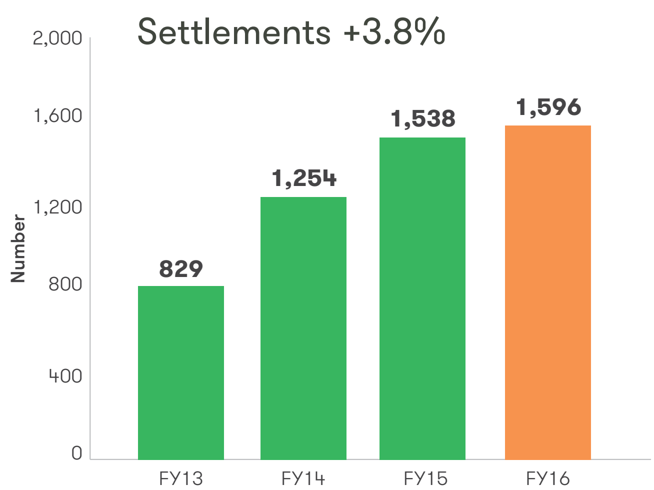
	FY16	FY15	% change	FY14
Revenue	**$421.9m**	$317.9m	32.7%	$250.6m
Statutory Profit before Tax	**$58.8m**	$48.2m	22.0%	$27.0m
Statutory Profit after Tax	**$40.9m**	$34.4m	19.0%	$18.8m
Gross Margins	**25.2%**	26.8%	-1.6pp	21.9%
Inventory Provision Write Back (After tax)	**$2.6m**	$2.6m	0.0%	$3.6m
Net tangible assets (NTA)	**$361.1m**	$334.5m	7.9%	$313.0m
NTA per share	**$0.95**	$0.88	7.6%	$0.81
EPS (cents per share)	**10.7**	9	18.6%	4.9
Dividend (cents per share)	**5**	4	25.0%	2

FY16 Highlights.









Stronger revenue growth driven by changes in product mix and revenue share including the prior period acquisitions of JV partner interests in 'Argyle' and 'St Clair' projects

Managing Director's report.

Our purpose is clear. We believe housing matters. We believe community matters. We aim to provide affordable quality housing within connected communities. The home and neighbourhood you grow up in shapes you as a person. We believe if we develop great communities, where people really feel like they belong, it will deliver a long term benefit to society.

Having a clear understanding of purpose - why you do what you do - has been proven to be a feature of strong, sustainable businesses. Such businesses tend to look at the longer term and not be as reactionary to the short term. This then assists in developing strategies that are aligned to the purpose.

At AVJennings, our strategy is:

- To develop high quality and affordable housing.
- To ensure the type of housing we develop and build is of the type required by everyday Australians and New Zealanders.
- That our developments are located in areas where such housing is needed and people want to live.

Since 2010, when we sold our contract building business, we have refined our business model along lines that are consistent with achieving this strategy. Focusing on a business model in which we only develop housing product on land we own or have an interest in is an important factor in being able to achieve our strategy. This model allows us to maximise the benefits from our internal integrated housing skills.

This objective might all sound fairly basic, but so often in the last decade it has been difficult to achieve as governments and sometimes industry get distracted by short term factors. Governments in particular have often failed to play their part in making sure everyday Australians and New Zealanders have access to affordable housing in areas in which they want to live. High property taxes and lack of land supply and infrastructure continue to be barriers to achieving these goals.

However, we will continue to focus on the average local buyer and their needs. We have avoided more volatile markets such as foreign buyers and inner city high rise apartments. We will continue to do our part in tackling affordability and providing quality housing in areas where such housing is required.

Our future will be driven by having a clear purpose, a clear strategy and continued investment in our people, product and brand.

It is very satisfying when results are achieved on the back of adherence to strategy. It is also pleasing when they come from backing our judgement and having faith in our research. As we entered the 2016 financial year, we were not swayed by negative comments in some sections of the media about the likelihood of a downturn in the housing market. Instead we believed the fundamental influences on demand for traditional housing were strong and as a consequence we maintained our production levels which was the driver of another good end of financial year result.

For the third year in a row we have reported an increase in profit, revenue and the dividend paid to shareholders. Importantly we believe we have now entered a period of sustained success. When we say we are confident of a period of sustained success, we are still mindful of the fact that we are in a cyclical industry and there will be short term factors especially at state and at individual project level, that will arise.

But the reason for our confidence in the medium to longer term is demand for housing in the market segments in which we operate remains strong - particularly in Sydney, Melbourne and Auckland – due to continued undersupply. Our purchasers are seeking to fulfil a basic need for housing and they do so in an environment of generally stable unemployment rates and low interest rates.

Sydney remains very active with strong demand driven by inadequate land supply and building delivery constraints, although the rate of sale of developed land lots is showing early signs of moderating as price points test the limits of affordability.

Auckland is a strong market and the high quality, master-planned Hobsonville project continues to experience significant demand with good sales and margins being generated, leading the Company to explore additional opportunities in Auckland.

Land sale rates and prices seem to be stabilising at more sustainable levels in Brisbane, Caloundra and Coomera in Queensland, while the Adelaide South Australia residential market remains subdued but positive signs are emerging. The Company maintains its relatively small investment in five residential projects in Perth.

The Melbourne residential land market remains buoyant with the Company all but selling out its Lyndarum estate. Future results will be enhanced by development of the new flagship 'Waterline Place' project located in the inner bayside suburb of Williamstown and the 'Lyndarum North' development undertaken in joint venture with AustralianSuper.

Following the completion of substantial civil works, construction of the first stages of Waterline has commenced with work beginning on the 'Ellery' townhouses and 'Rosny' apartment building and settlements expected in late FY2017. Development of the first stage of Lyndarum North is scheduled to commence prior to Christmas following imminent completion of the local precinct structure plan and related regulatory processes.

Despite the disruption of a protracted federal election campaign and some ongoing policy uncertainties, the outlook for key residential property industry demand drivers remains positive, particularly in the context of traditional housing. Low interest rates and inflation, positive population growth and continuing shortages of detached and semi-detached houses and low rise apartments in Sydney, Melbourne and Auckland should all help underpin demand from the owner-occupiers and local investors targeted by AVJennings.

While activity patterns and growth rates in some markets are changing, the usual bias of results towards the second half of the financial year will remain and contract signings in FY2017 are expected to be at a similar level to that achieved in 2016.

Housing affordability remains the subject of public debate and it is something we are passionate about because unless we provide housing solutions that are affordable, we simply do not have a business. We believe there needs to be more traditional housing in areas where Australians want to live. What is not understood is the impact on affordability by the lack of land release; lack of infrastructure; and the continuing reliance by governments on the taxation of property. We need government polices to address all of those three areas and then we will have a much clearer path to a solution on affordability.

In closing, I would like to acknowledge our Board and especially our Chairman, Simon Cheong. There have been many points in the last five years or so when the Board was challenged to make difficult decisions or decisions that may not have been totally consistent with more populist views. Without the guidance and support of the Board these results would not have been achieved and we certainly would not be in the position we now find ourselves. I would also like to thank the wonderful staff of AVJennings. It is an honour to lead such a great group of people who care so much about what we want to achieve as a Company. We are a Company that recognizes the importance of maintaining sound, long term relationships with all of our business partners and so to them I also offer our thanks.

Peter Summers
Managing Director

Community matters.

AVJennings is a community developer. We want to create wonderful places to live but just as importantly we want to nurture a sense of community. We do that by supporting community minded people and by participating directly in community activities.

Steve Waugh Foundation

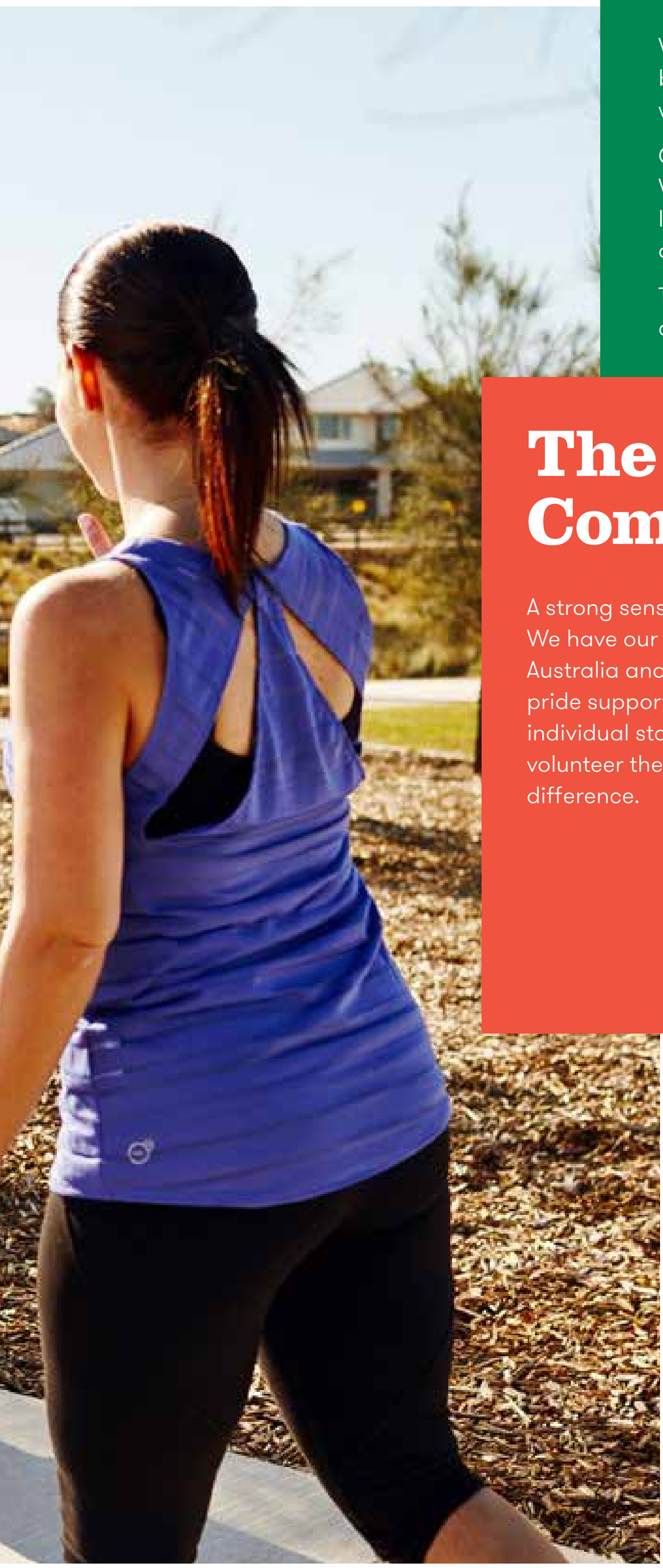
AVJennings is proud to be an inaugural partner of the Steve Waugh Foundation. Steve's foundation strives to improve the lives of children, young people and their families, who live with rare diseases. Many of these people have nowhere else to turn to receive support.

Our staff and their families regularly contribute to various fundraising activities for the foundation including the Captain's Ride, City to Surf Fun Run and 'Waugh in the West' a community cricket event held at St Clair in Adelaide.

The cornerstone of our partnership with SWF is the 'Renee' series of homes. Each year we come together with our generous suppliers to build a home to raise valuable funding for the Foundation. The 'Renee' is named in honour of the remarkable Renee Eliades who has a rare disease that requires the daily use of oxygen bottles.

AVJennings
Proudly partnering with

STEVE WAUGH FOUNDATION



Creating great Communities

We know our customers want to live in a nice home but they also want it to be located in a vibrant, welcoming and well planned community.

Good community development is no accident. We put all our experience into making places where living, relaxing, socialising, exploring and being active comes naturally.

That's why we believe, housing matters and community matters.

The AVJennings Community

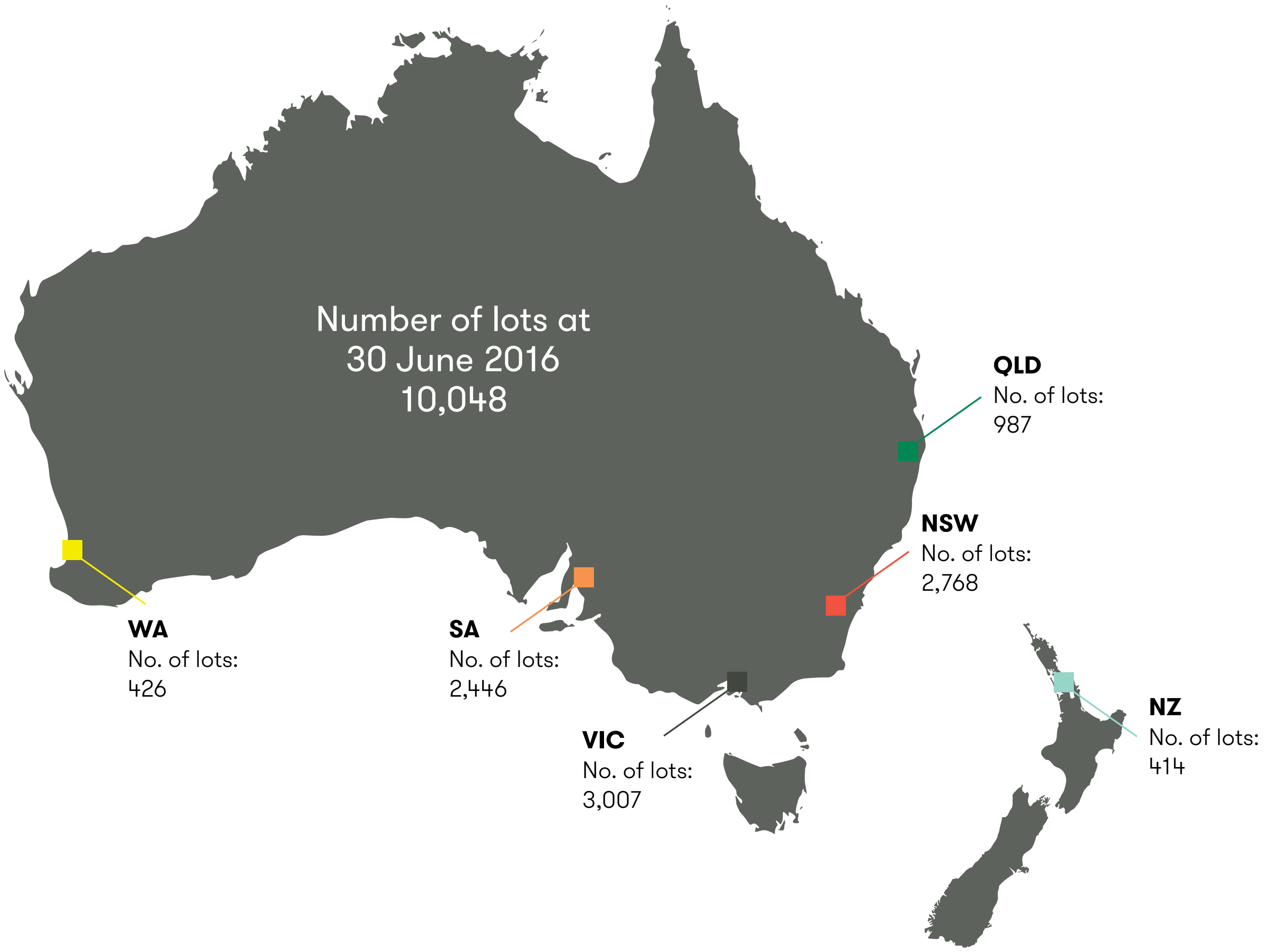
A strong sense of community starts from within. We have our own special community around Australia and in Auckland. Our staff take great pride supporting each other. There are many individual staff members and their families who volunteer their time or talent to make a positive difference.

Participating in Communities

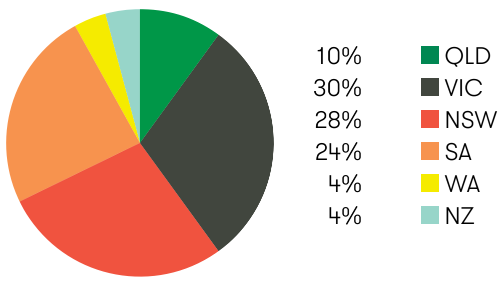
AVJennings wants to be a good 'neighbour' and support community initiatives by contributing talent or time. Whether it be working with local schools, business communities or sporting clubs; or simply supporting local events by attending them, we look for ways to foster a community spirit.

Property portfolio.

AVJennings' diversified geographic mix provides opportunities in different markets. We continue to focus on urban growth corridors and infill sites where people want to live.



Number of Lots by Location



Project pipeline.

As at 30 June 2016

	Project Name	Remaining No. of Lots	Pre	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021+
QUEENSLAND	Halpine Lake, Mango Hill	83						
	Creekwood, Caloundra	303						
	Glenrowan, Mackay	177						
	Essington Rise, Leichhardt	58						
	Villaggio, Richlands	39						
	Parkside, Bethania	116						
	Big Sky, Coomera	64						
	Bridgeman Downs	60						
	Kenmore	32						
	Bridgeman Downs 2	54						
NEW SOUTH WALES	Argyle, Elderslie	300						
	Magnolia, Hamlyn Terrace	322						
	Spring Farm (South)	204						
	Spring Farm (East)	540						
	Ravensworth Heights, Goulburn	75						
	Seacrest, Sandy Beach	123						
	Arcadian Hills, Cobbitty	241						
	Cobbitty II	206						
	Cobbitty Road, Cobbitty	50						
	Boundary Road, Schofields	27						
	Warnervale	595						
	Spring Farm Starhill PDA	79						
VICTORIA	Lyndarum North, Wollert	78						
	Wollert JV	1,820						
	Lyndarum, Epping North	19						
	Arlington Rise, Portarlington	199						
	Hazelcroft, Doreen	200						
	Waterline, Williamstown	691						
SOUTH AUSTRALIA	Pathways, Murray Bridge	53						
	River Breeze, Goolwa North	80						
	St Clair	615						
	Eyre at Penfield	1,688						
NZ	Hobsonville Point, Hobsonville	312						
	Airfields, Hobsonville	102						
WESTERN AUSTRALIA	Indigo China Green, Subiaco	124						
	Viridian China Green, Subiaco	74						
	The Heights Kardinya	107						
	Viveash	75						
	Parkview, Ferndale	46						
TOTAL NO. OF REMAINING LOTS		**10,031**						

- Total No. of Remaining Lots does not include 17 remnant lots
- Note that it is not possible for the reader of this Report to calculate the remaining number of lots from year to year because that number is a product of not only lots purchased and settled but also changes in stage reconfiguration

Land sales rates and prices stabilising at sustainable levels in Brisbane, Gold Coast and Sunshine Coast.

Sydney and Central Coast markets remain active with strong demand driven by inadequate supply and building delivery constraints.

The Melbourne market remains buoyant. Future results will be enhanced by the development of Waterline Place at Williamstown and Lyndarum North.

South Australia

The Adelaide residential market remains subdued but positive signs are emerging.

Western Australia

The local Perth economy is transitioning. The Company has invested in 5 joint venture projects with a local developer and all 426 lots are within the Perth metropolitan area.

New Zealand

Auckland remains a strong market with positive net population migration. Hobsonville continues to experience significant demand. AVJennings is exploring further opportunities in Auckland to add to the 414 lots acquired in 2015.

Directors' Report

The Directors of AVJennings Limited present their report together with the Financial Report of the Group (referred to hereafter as "AVJennings" or "Group") and the Auditor's Report thereon for the year ended 30 June 2016. The Group comprises AVJennings Limited ("Company" or "Parent") and its controlled entities.

DIRECTORS

The Directors of AVJennings Limited during the financial year and up until the date of this Report are as follows. Directors were in office for the entire period.

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
PK Summers	Managing Director and Chief Executive Officer
E Sam	Non-Executive Director
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
D Tsang	Non-Executive Director

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was Residential Development.

OPERATING RESULTS

The consolidated profit after tax for the financial year was $40.9 million (2015: $34.4 million).

DIVIDENDS

Dividends paid to members during the financial year were as follows:

	2016 $'000	2015 $'000
2014 final dividend of 2.0 cents per share, paid 18 September 2014. Fully franked @ 30% tax	–	7,688
2015 interim dividend of 1.0 cent per share, paid 8 April 2015. Fully franked @ 30% tax	–	3,844
2016 final dividend of 3.0 cents per share, paid 23 September 2015. Fully franked @ 30% tax	11,532	–
2016 interim dividend of 1.5 cents per share, paid 15 April 2016. Fully franked @ 30% tax	5,767	–
Total cash dividends declared and paid	**17,299**	**11,532**

In addition to the above, subsequent to the end of the financial year, a fully franked final dividend of 3.5 cents per share was paid on 23 September 2016 (2015: 3.0 cents). The Dividend Reinvestment Plan remains suspended.

Directors' Report

OPERATING AND FINANCIAL REVIEW

Financial Results

The Company recorded profit before tax of $58.8 million for the year ended 30 June 2016, up 22.0% on the previous year (30 June 2015: $48.2 million) and profit after tax of $40.9 million (30 June 2015: $34.4 million).

Strong revenues in the second half of FY2016, substantial post balance date cash inflows from the collection of receivables and confidence in the outlook for FY2017 enabled the Directors to declare that a fully franked final dividend of 3.5 cents per share be paid in September 2016, taking total dividends declared for 2016 to 5.0 cents per share.

Contract signings of 1,832 lots were up on last year (1,737 lots) as too were settlements, which rose to 1,596 lots. Full year revenue increased 32.7% to $421.9 million (30 June 2015: $317.9 million) on the back of changes in product mix and project share, with the Company benefitting from announcements made in prior periods that it would acquire the interests of joint venture partners in the 'Argyle', Sydney and 'St Clair', Adelaide projects.

Business Overview

Continuing high levels of production, sales and settlements together with stable gross margins in most jurisdictions contributed to the pleasing full year result. New South Wales, Queensland and New Zealand all continued to benefit from the net positive effect of active project and product mix changes that enabled the Company to capitalise on the differing strengths of each market.

Particularly good contributions were made by certain projects including 'Arcadian Hills', 'The Ponds' and 'Argyle' in Sydney and 'Magnolia' on the Central Coast of New South Wales. 'Nottingham Square' in Brisbane, 'Big Sky' in Coomera and 'Creekwood' in Caloundra all performed well for Queensland. 'Hazelcroft' and 'Lyndarum' demonstrated the ongoing strength of demand in the north of Melbourne Victoria, while 'St Clair' in Adelaide South Australia and 'Catalina' in Hobsonville Auckland had appeal for customers in those markets.

Work in progress was up 11.2% year-on-year to 1,681 lots. The level of completed unsold stock remained insignificant at only 2.8% by value of total lots under control.

The Company actively replenished inventory during the year, which saw controlled land fall only nominally to 10,048 lots (30 June 2015: 10,198 lots) despite continuing strong sales. Acquisitions included:

- the remaining 50% of the Argyle Elderslie, New South Wales joint venture;
- two separate land parcels in Bridgeman Downs, Queensland (approximately 114 townhouse and land lots);
- a land parcel in Kenmore, Queensland (estimated 32 townhouse lots);
- a large land parcel at Spring Farm, New South Wales (up to 540 lots);
- a land parcel at Cobbitty, New South Wales (approximately 50 lots); and
- land parcels in Hobsonville Auckland (approximately 414 lots).

Gearing remained low with net debt/total assets of only 17.9% (30 June 2015: 13.6%) and the Company extended the termination date of its core $250 million 'Club' banking facility by a further 12 months from 30 September 2017 to 30 September 2018.

Outlook

The Company believes that the level of activity currently experienced in many of its markets is the product of strong fundamentals. While specific micro-markets such as some inner-city areas of Sydney and Melbourne continue to experience strong price growth, this is not true of most of the Company's estates, where price growth is moderated by competition. The Company is confident that demand for its products is sustainable given its clear strategy of delivering traditional housing solutions at affordable prices in well-planned communities rather than participating in more volatile segments.

Sydney remains very active with strong demand driven by inadequate land supply and building delivery constraints, although the rate of sale of developed land lots is showing early signs of moderating as price points test the limits of affordability.

Auckland is a strong market and the high quality, master-planned Hobsonville project continues to experience significant demand with good sales and margins being generated, leading the Company to explore additional opportunities in Auckland.

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Despite the disruption of a protracted federal election campaign and some ongoing policy uncertainties, the outlook for key residential property industry demand drivers remains positive, particularly in the context of traditional housing. Low interest rates and inflation, positive population growth and continuing shortages of detached and semi-detached houses and low rise apartments in Sydney, Melbourne and Auckland should all help underpin demand from the owner-occupiers and local investors targeted by AVJennings. While activity patterns and growth rates in some markets are changing, the usual bias of results towards the second half of the financial year will remain and contract signings in FY2017 are expected to be at a similar level to that achieved in 2016.

Directors' Report

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 30 June 2016, the Group has extended its Club Borrowing Facility expiry date from 30 September 2017 to 30 September 2018.

No other matter or circumstance has arisen since 30 June 2016 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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The prospects and business strategies of the Group are discussed on page 13 of this Report.

ENVIRONMENTAL REGULATION

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Group's practice is to ensure that where operations are subject to environmental regulations, those obligations are identified and appropriately addressed. This includes the obtaining of approvals, consents and requisite licences from the relevant authorities and complying with their conditions.

There have been no significant known breaches of environmental regulations to which the Group is subject.

INFORMATION ON THE DIRECTORS

Simon Cheong B.Civ.Eng. MBA

Director since 20 September 2001. Mr Cheong has over 30 years experience in real estate, banking and international finance. He currently serves as Chairman and Chief Executive Officer of SC Global Developments Pte Ltd. Mr Cheong has formerly held positions with Citibank (Singapore) as their Head of Real Estate Finance for Singapore as well as with Credit Suisse First Boston as a Director and Regional Real Estate Head for Asia (excluding Japan). In 1996, Mr Cheong established his own firm, SC Global Pte Ltd, a real estate and hotel advisory and direct investment group specialising in structuring large and complex transactions worldwide. He was twice elected President of the prestigious Real Estate Developers' Association of Singapore (REDAS) for 2 terms from 2007 until 2010. He served on the Board of the Institute of Real Estate Studies, National University of Singapore from 2008 to 2011 and was a board member of the Republic Polytechnic Board of Governors from 2008 to 2011. He was also a Council Member of the Singapore Business Federation, a position he held from 2007 to 2010. Resident of Singapore.

Responsibilities:

Chairman of the Board, Non-Executive Director, Chairman of Investments Committee, Member of Remuneration Committee, Member of Nominations Committee.

Directorships held in other listed entities:

None.

Jerome Rowley SF Fin, FAICD

Director since 22 March 2007. Mr Rowley has been a career banker since the early 1970s with Citigroup, Morgan Grenfell and ABN Amro. From 1992 until 2002, he served as Managing Director and CEO of ABN Amro Australia and Head of Relationship Management and Structured Finance for ABN Amro, Asia Pacific. He has been active in both wholesale and investment banking domestically and internationally. During his career, Mr Rowley devoted considerable effort towards the recognition, understanding and management of risk as a means of profit optimization. Of particular significance was his involvement in advising and funding including debt, equity and hybrids, of infrastructure projects in both Australia and Asia Pacific. Resident of Sydney.

Responsibilities:

Deputy Chairman of the Board, Non-Executive Director, Chairman of Risk Management Committee, Member of Audit Committee, Member of Investments Committee, Member of Nominations Committee.

Directorships held in other listed entities:

None.

Peter K Summers B.Ec. CA

Director since 27 August 1998. Mr Summers is a Chartered Accountant and has been employed with the Company and its related corporations since 1984, when he joined the Jack Chia Australia Ltd Group from Price Waterhouse (now PricewaterhouseCoopers). During Mr Summers' early period with the Group, he held various management and directorship roles within the Group. Following the acquisition of the AVJennings residential business in September 1995, Mr Summers was appointed Chief Financial Officer, becoming Finance Director of AVJennings in August 1998. He was appointed Managing Director and Chief Executive Officer of the Company on 19 February 2009. Mr Summers has extensive experience in general and financial management as well as mergers and acquisitions. Resident of Melbourne.

Responsibilities:

Managing Director and Chief Executive Officer.

Directorships held in other listed entities:

None.

Elizabeth Sam B.A. Hons. (Economics)

Director since 20 September 2001. Mrs Sam has over 40 years experience in international banking and finance. She has served on numerous high level Singaporean government financial and banking review committees and was the Chairman of the International Monetary Exchange from 1987-1990 and 1993-1996. Mrs Sam is a Director of SC Global Developments Pte Ltd, the Company's major shareholder. Resident of Singapore.

Responsibilities:

Non-Executive Director, Chairman of Nominations Committee, Chairman of Remuneration Committee.

Directorships held in other listed entities:

Banyan Tree Holdings Limited, since 23 March 2004.

Directors' Report

INFORMATION ON THE DIRECTORS (continued)

Bobby Chin CA (ICAEW) B.Acc.

Director since 18 October 2005. Mr Chin is currently the Chairman of NTUC Fairprice Co-operative Limited and NTUC Fairprice Foundation Limited. He is the Deputy Chairman of the Housing & Development Board and NTUC Enterprise Co-operative Limited. He is a Director of Singapore Labour Foundation and also serves as a member of the Singapore Council of Presidential Advisers. Mr Chin served 31 years with KPMG Singapore and was its Managing Partner from 1992 until September 2005. He is an Associate Member of the Institute of Chartered Accountants in England and Wales. Resident of Singapore.

Responsibilities:

Non-Executive Director, Chairman of Audit Committee.

Directorships held in other listed entities:

Yeo Hiap Seng Limited, since 15 May 2006.

Ho Bee Investment Limited, since 29 November 2006.

Sembcorp Industries Limited, since 1 December 2008.

Singapore Telecommunications Limited, since 1 May 2012.

Other Directorships:

Temasek Holdings (Private) Limited, since 10 June 2014.

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has over 46 years commercial management experience with 20 of those at operational Chief Executive or General Manager level. He is currently Chairman of Chartwell Management Services where he brings his very wide business experience to clients by way of the leadership, marketing, business performance and coaching programs he offers. He has fulfilled senior management roles both in Australia and overseas for companies such as Nicholas Pharmaceutical Group, Dairy Farm Group, Hong Kong Land and Seagram Corporation. During his time in Singapore, he held the position of Foundation President of the Singapore Australia Business Council now known as AUSTCHAM Singapore. He has also served as CEO of the Australian Rugby Union and as Chairman of the Board of the Rugby Club Ltd. He is Chairman of the Ella Foundation and a Director of Diabetes NSW. Resident of Sydney.

Responsibilities:

Non-Executive Director, Member of Remuneration Committee, Member of Nominations Committee, Member of Investments Committee, Member of Risk Management Committee.

Directorships held in other listed entities:

None.

Teck Poh Lai B.A. Hons. (Economics)

Director since 18 November 2011. Mr Lai has been a career banker since the late 1960s. He joined Citibank Singapore in April 1968, rising through the ranks to become Vice President and Head of the Corporate Banking Division. During his time with Citibank, Mr Lai undertook international assignments with Citibank in Jakarta, New York and London. His last position with Citigroup was as Managing Director of Citicorp Investment Banking Singapore Ltd (Corporate Finance and Capital Market Activities) from 1986 to 1987. Mr Lai joined Oversea-Chinese Banking Corporation (OCBC) in January 1988 as Executive Vice President and Division Head of Corporate Banking. He moved on to various other senior management positions in OCBC, such as Head of Information Technology and Central Operations and Risk Management. He was head of Group Audit prior to retiring in April 2010. Resident of Singapore.

Responsibilities:

Non-Executive Director, Member of Audit Committee, Member of Remuneration Committee, Member of Investments Committee.

Directorships held in other listed entities:

PT Bank OCBC NISP Tbk (Commissioner) since 4 September 2008.

Oversea-Chinese Banking Corporation since 1 June 2010.

David Tsang B.A. (Economics)

Director since 2 June 2014. Mr Tsang has over 20 years experience in real estate, corporate finance and investments, completing transactions in Asia, North America and Europe. He currently holds the position of Managing Director for SC Global Developments Pte Ltd and has held various senior director and finance positions within the SC Global Group.

Mr Tsang began his career in Investment Banking with Nesbitt Burns in New York. He relocated from the United States to Singapore in 1996 and joined Simon Cheong as a founding member in establishing SC Global Pte Ltd, a boutique real estate advisory and principal investment firm. In 1999, Mr Tsang co-led two successful M&A transactions for the SC Global Group, acquiring controlling interests in publicly listed companies MPH Ltd and ANA Hotels (Singapore) Ltd. Mr Tsang took an executive position as Director of Special Projects at MPH Ltd from 2000 to 2004, helping to restructure and unlock value for shareholders. Mr Tsang also helped lead the transformation of ANA Hotels (Singapore) Ltd into the business of high end residential development and which continues to operate today as SC Global Developments. Mr Tsang served previously as a Director on the Board of AVJennings Ltd from 2004 to 2006. Resident of Singapore.

Responsibilities:

Non-Executive Director, Member of Audit Committee, Member of Investments Committee.

Directorships held in other listed entities:

None.

INFORMATION ON THE COMPANY SECRETARY

Carl D Thompson LLB B. Comm

Company Secretary since 12 January 2009. Mr Thompson previously held the company secretary and general counsel role at Downer EDI Limited. Prior to that he was a partner at national law firm Corrs Chambers Westgarth, practising in corporate and commercial work. Resident of Melbourne.

Directors' Report

REMUNERATION REPORT (Audited)

This Remuneration Report for the Group is provided in accordance with the requirements of the *Corporations Act 2001* (the Act) and has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements of Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Entity and some of the Executive Committee members.

1. Key Management Personnel

The name and position of each KMP whose remuneration is disclosed in this report are set out below:

(i) *Directors*

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
PK Summers	Managing Director and Chief Executive Officer
E Sam	Non-Executive Director
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
D Tsang	Non-Executive Director

(ii) *Executives*

L Mahaffy	Chief Financial Officer
SC Orlandi	Chief Strategy Officer
CD Thompson	Company Secretary/ General Counsel
L Hunt	General Manager, Human Resources

2. Remuneration Framework

2.1 Remuneration Governance

The Board has established a Remuneration Committee which comprises four Non-Executive Directors and is responsible for determining and reviewing remuneration arrangements for KMP and other senior management personnel.

The Committee is responsible for ensuring that remuneration is set at fair and competitive levels to enable the Group to access the skills required to operate successfully.

2.2 External Advisers

No remuneration consultant made any remuneration recommendation as defined in Section 9B of the *Corporations Act 2001* during the year ended 30 June 2016.

2.3 Non-Executive Director (NED) Remuneration Arrangements

At the Annual General Meeting (AGM) in the year 2000, shareholders approved a maximum annual aggregate fee pool of $400,000 for NEDs. The allocation of fees to individual NEDs is determined after considering factors such as time commitment, the size and scale of the Company's operations, skill sets, participation in committee work and fees paid to directors of comparable companies. The Group does not provide any retirement benefits scheme for NEDs. NEDs do not receive any performance-based remuneration.

Three NEDs, Mr S Cheong, Mrs E Sam and Mr D Tsang do not receive fees. However, AVJennings pays a consulting fee to the Ultimate Parent Entity, SC Global Developments Pte Ltd. The fees are paid pursuant to a consultancy and advisory agreement for the provision of the following:

- Services of at least two directors on the Board;
- Assistance in sourcing and facilitating financial and banking requirements particularly from Asian-based and other institutions;
- Assistance in secretarial and administrative matters in connection with the Company's Singapore listing;
- Sourcing and facilitating business, commercial and investment opportunities; and
- Ancillary advice.

The appropriateness of the agreement and the reasonableness of the fees is assessed annually by the Australian-based independent NEDs taking into account the actual services provided, comparable market data for similar services, the benefits to the Company and the likely cost of replacement of the services provided. The annual fees payable are $600,000. The agreement may be terminated by either party giving six months' notice or by the Company on 30 days' notice for cause.

The remuneration of NEDs is detailed on page 23.

2.4. Executive Remuneration Arrangements

Executive remuneration includes a mix of fixed and variable remuneration. Variable remuneration includes short term incentives, long term incentives and retention components.

i) Fixed Remuneration

Fixed Remuneration is represented by Total Employment Cost (TEC) which comprises base remuneration and superannuation contributions.

TEC is reviewed annually or on promotion/appointment to the role. TEC is benchmarked against market data for comparable roles in the market. The Company sets TEC based on relevant market analysis, the scope and nature of the role and the individual's performance, skills and responsibilities.

The fixed component of remuneration of other KMP's is detailed on page 24.

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

ii) Variable Remuneration

A) Short Term Incentive (STI)

Executives participate in a STI plan which assesses achievement against Key Performance Measures (KPM). Each executive has Key Performance Measures that are aligned to company, business unit and individual performance. An STI payment is awarded to the extent performance is achieved by individuals against the Key Performance Measures set at the beginning of the financial year, as appropriate, and with regards to relevant business unit and company performance.

STI awards for the executive team in the 2016 financial year were based on the scorecard measures and weightings disclosed below. These targets were set by the Remuneration Committee and align with the Group's strategic and business objectives. They are reviewed annually.

The CEO has a target STI opportunity of 35% of TEC and other Executives have a STI opportunity of 17% to 30% of TEC.

The variable "at risk" component of executive remuneration ensures that a proportion of remuneration varies with performance (both of the individual and, as appropriate, the business unit and the Company as a whole).

Allocation of Overall Performance Incentive between Components (shown as % of TEC)

Position	Total At Risk (%)	STI (%)	LTI (%)	Retention (%)
CEO	100	35	40	25
Senior Executives	33	17	8	8
State General Managers	50	30	10	10

The proportions of STI, LTI and retention components take into account:

- Market practice;
- The objectives that the Board seeks to achieve and the behaviours which support that outcome;
- The desire for Senior Executives to have a shareholding as a proportion of remuneration in the event that equity rewards have vested; and
- The service period before executives can receive equity rewards.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The table below provides an overview of the STI against key financial and non-financial performance measures.

		CEO	Senior Executives	State General Managers
Financial and Business Performance				
Underlying Profit Performance	• Group profit before tax. • Return on NFE (Net Funds Employed).	70%	30% to 40%	50%
Business Performance	• Cost to income ratio. • Appropriate and efficient capital management. • Alignment of priorities and allocation of resources. • Market conditions, in particular performance in the prevailing market. • Implementation of Company strategy and improvement in underlying health of the Company. • Increase in the Group's market share of residential property sector. • Risk management.			
Non-Financial				
Customer and Stakeholder Performance	• Customer Advocacy.	30%	60% to 70%	50%
People	• Employee retention and engagement. • Leadership.			
Safety and Environment	• Providing a safe work environment. • Minimise the impact of our activities on the environment.			

The Remuneration Committee is responsible for determining the STI to be paid based on an assessment of the extent to which the Key Performance Measures are met. The STI payment is made within two months of the reporting date. The Committee has the discretion to adjust STIs upwards or downwards in light of unexpected or unintended circumstances.

Based on achievements of the Group in the 2016 financial year and performance against individual Key Performance Measures, the Remuneration Committee determined that Executives achieved between 65% and 100% of their target opportunity (average 81%). In making this assessment, the Committee considered the following factors:

- Performance in implementing Company strategy.
- Performance in the prevailing market.
- Strong profit before tax.
- An increase in contract signings compared to the previous year.
- Improvement in the underlying health of the Company.
- Performance against individual KPMs.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

B) Long Term Incentive (LTI)

LTI awards are only made to executives who are in a position to have an impact on the Group's performance and the creation of shareholder value over the longer term.

(i) LTI and Retention (current year and FY15)

With effect from FY15, LTI arrangements were varied and remuneration is now provided by the Issue of Rights (instead of shares) and includes a retention component. The use of Rights as an incentive reduces the upfront cash requirements of the Company (as shares do not need to be acquired for allocations) and because participants do not receive dividends on Rights (as distinct from shares).

The Total Shareholder Return (TSR) hurdle of the LTI component was replaced by a Return on Equity (ROE) hurdle which uses market capitalisation as a proxy for equity, and is more appropriate from a shareholders' perspective as the required rates of return do not vary with "market" performance. The ROE hurdle operates such that 50% vesting occurs at an average annual return of 12% with 100% vesting at an average annual return of 18%. The EPS hurdle remains unchanged and is consistent with the FY14 and prior years' LTI structure explained under LTI (FY14 and prior years) below. The performance conditions will be tested at the end of the three year vesting period and the number of rights that may vest will depend on the level of average annual returns achieved over that three year period. The service rights are split into three tranches that progressively vest each year subject to satisfaction of the service condition. The CEO's participation was determined as 40% (LTI) and 25% (Retention component) of TEC respectively.

The operation of the EPS, ROE and Retention hurdles are set out below.

AVJennings' EPS growth rate over the three year performance period	Percentage of rights vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% –10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

AVJennings' ROE over the three year performance period	Percentage of rights vesting
<12%	Nil
12%	50%
15%	75%
>=18%	100% (Straight line interpolation between 12% and 18%)

Retention component – years of service	Percentage of rights vesting
one year	33.33%
two years	33.33%
three years	33.34%

On 29 May 2015 and 18 September 2015, rights were granted to KMP as detailed in the table on page 21.

The May 2015 Grant was delayed from 2014 whilst the Remuneration Committee considered the changes to the plan resulting in the Rights plan. The May 2015 Grant was made for the FY15 year (with LTI testing in September 2018). The September 2015 Grant was made in the FY16 year with LTI testing in September 2018.

The fair value of the rights at the date of the grant is determined using an appropriate valuation model. The fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Consolidated Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

(ii) LTI (FY14 and prior years)

The AVJ Deferred Employee Share Plan (the LTI Plan) administers employee share schemes under which shares were purchased on-market by the LTI Plan Trustee on behalf of employees. These shares will vest to employees for no cash consideration subject to certain conditions being satisfied. Shares held by the LTI Plan's trust and not yet allocated to employees are shown as treasury shares in the Financial Statements.

Vesting is subject to both service and performance conditions, except for the FY13 Delayed Grant which is only subject to the service condition (see page 20). The service condition requires the executive to be employed by the Company as at 30 September in the third year after the grant date for each grant. The performance conditions apply to each grant – as to 50% as measured by the TSR hurdle and as to 50% by the EPS hurdle. The two performance hurdles are tested differently. The EPS hurdle is tested as at 30 June in the test year (three years after grant). The TSR hurdle is tested at 30 September of the third year after grant.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The following is the status of allocations made to KMP under the LTI Plan:

FY13 Grant

On 12 September 2012, shares were granted to KMP and as detailed in the table on page 21, these vested during the year.

FY13 Delayed Grant

On 25 September 2013, shares were granted to KMP as detailed in the table on page 21. The Grant was subject only to service conditions as to 50% for one year to 30 September 2014, which vested in the previous year, and as to 50% for two years to 30 September 2015, which vested in the current year.

FY14 Grant

On 25 September 2013, shares were granted to KMP as detailed in the table on page 21.

The service vesting condition for the FY13 and FY14 Grants is that the employee must still be employed by AVJennings at 30 September 2015 and 30 September 2016 respectively. In the event of death, permanent disablement or retrenchment, the shares may vest to the estate at the Board's discretion. If the employee resigns (in certain circumstances) or is terminated, the unvested shares will be forfeited.

The performance vesting conditions are:

- Total Shareholder Return (TSR) performance measured against the ASX Small Industrials Index; and
- Earnings Per Share (EPS) growth. AVJennings' EPS growth for the performance period must meet or exceed the target set. The EPS hurdle for total vesting for each grant is as follows:
  FY2013 Grant – 10% p.a. growth for the three financial years to 30 June 2015
  FY2014 Grant – 10% p.a. growth for the three financial years to 30 June 2016

Half of the allocation is assessed against each performance condition. The vesting schedule for the TSR and EPS performance conditions are set out in the following tables. The holder of the shares is entitled to receive all dividends paid between grant and vesting dates.

AVJennings' TSR rank against companies in the Index at 30 September	Percentage vesting
< median	Nil
At the median	50%
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
>=75th percentile	100%

AVJennings' EPS growth rate over the performance period	Percentage vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% – 10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

The original cost of equity-settled transactions is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value at the date when the Grant is made is determined using an appropriate valuation model. That fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Consolidated Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

In respect of shares forfeited, no further amounts are expensed. The cumulative amounts relating to non-market based measures expensed to the date of forfeiture are reversed.

There is no non-recourse financing provided to executives in relation to any share-based payments.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4. Executive Remuneration Arrangements (continued)

The following is the status of shares granted to KMP under the FY14 and previous years' LTI Plans:

KMP	Year of Grant	Fair Value	Shares at beginning of the year	Forfeited	Vested	Shares at end of the year
PK Summers	FY13-D	$166,866	142,620	–	(142,620)	–
PK Summers	FY14	$351,499	666,349	–	–	666,349
A Soutar [(1)]	FY13	$74,389	280,712	–	(280,712)	–
A Soutar [(1)]	FY14	$77,902	147,682	(110,761)	(36,921)	–
L Mahaffy	FY14	$56,947	107,957	–	–	107,957
SC Orlandi	FY13-D	$24,720	21,128	–	(21,128)	–
SC Orlandi	FY14	$50,407	95,558	–	–	95,558
CD Thompson	FY13-D	$25,619	21,897	–	(21,897)	–
CD Thompson	FY14	$62,286	118,078	–	–	118,078
L Hunt	FY13-D	$18,877	16,134	–	(16,134)	–
L Hunt	FY14	$38,493	72,973	–	–	72,973
Total		**$948,005**	**1,691,088**	**(110,761)**	**(519,412)**	**1,060,915**

(1) Ceased employment 30 June 2015.

Note: In the table above, "FY13-D" refers to the FY13 Delayed Grant.

The following is the status of rights granted to KMP under the current year and FY15 LTI Plans:

KMP	Year of Grant	Rights at beginning of the year	Number of Rights granted	Issued on vesting of Rights	Rights forfeited	Rights at end of the year
PK Summers	FY15	665,068	–	(82,654)	–	582,414
PK Summers	FY16	–	643,864	(78,996)	–	564,868
A Soutar [(1)]	FY15	92,236	–	–	(92,236)	–
L Mahaffy	FY15	79,812	–	(12,969)	–	66,843
L Mahaffy	FY16	–	102,783	(16,527)	–	86,256
SC Orlandi	FY15	70,646	–	(11,480)	–	59,166
SC Orlandi	FY16	–	90,979	(14,629)	–	76,350
CD Thompson	FY15	87,296	–	(14,185)	–	73,111
CD Thompson	FY16	–	112,419	(18,076)	–	94,343
L Hunt	FY15	53,946	–	(8,766)	–	45,180
L Hunt	FY16	–	69,475	(11,171)	–	58,304
Total		**1,049,004**	**1,019,520**	**(269,453)**	**(92,236)**	**1,706,835**

(1) Ceased employment 30 June 2015.

AVJennings prohibits executives from entering into arrangements to protect the value of unvested LTI awards. This prohibition includes entering into hedging arrangements in relation to AVJennings shares.

3. Group Performance

The table below shows the Group's earnings performance as well as the movement in the Group's Earnings Per Share (EPS), Total Shareholder Return (TSR) and Market Capitalisation over the last 5 years.

Financial Report Date	Profit/(Loss) After Tax $'000	Basic EPS Cents	TSR* Cents	Market Capitalisation $'000	Return on Market Capitalisation %
30 June 2012	(29,828)	(10.99)	(15.0)	81,455	(36.62)
30 June 2013	(15,266)	(5.46)	14.0	167,666	(9.11)
30 June 2014	18,782	4.94	13.0	216,715	8.67
30 June 2015	34,385	9.03	10.5	245,694	14.00
30 June 2016	40,912	10.71	(4.0)	213,968	19.12

* TSR is the aggregate of the movement in the share price and dividends paid during the year ended 30 June.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

4. Employment Contracts

i) Chief Executive Officer

Mr Summers' employment contract does not have a termination date and does not stipulate a termination payment. However, it specifies a six month notice period. Details regarding the remuneration paid to Mr Summers are contained in the table on page 24.

ii) Other Executives

The other executives are full time permanent employees with employment contracts. The employment contracts do not have termination dates or termination payments. However, they specify a notice period of three months.

5. Remuneration of KMP

Details of the nature and amount of each element of remuneration of Directors and executives are set out in the tables on pages 23 and 24. The Directors are the same as those identified in the *Directors' Report*.

6. Remuneration Options: Granted and Vested During the Year

No options were either granted or exercised during the year. There are currently no unexercised or outstanding options. None of the Directors or executives hold any options.

7. Shareholdings of KMP

The number of shares in the Company held during the financial year by each KMP of the Group, including their personally related parties, are set out below.

	Opening Balance	Vested as Remuneration	On market Purchase	Closing Balance
For the year ended 30 June 2016				
Directors				
S Cheong	192,318,030	–	–	**192,318,030**
E Sam	209,349	–	–	**209,349**
PK Summers	2,815,505	304,270	–	**3,119,775**
RJ Rowley	252,000	–	–	**252,000**
D Tsang	837,396	–	–	**837,396**
Executives				
L Mahaffy	19,967	29,496	–	**49,463**
SC Orlandi	202,483	47,237	–	**249,720**
CD Thompson	884,448	54,158	288,500	**1,227,106**
L Hunt	87,082	36,071	26,033	**149,186**
Total	**197,626,260**	**471,232**	**314,533**	**198,412,025**
For the year ended 30 June 2015				
Directors				
S Cheong	192,318,030	–	–	**192,318,030**
E Sam	209,349	–	–	**209,349**
PK Summers	2,416,266	399,239	–	**2,815,505**
RJ Rowley	252,000	–	–	**252,000**
D Tsang	837,396	–	–	**837,396**
Executives				
A Soutar (1)	212,131	–	–	**212,131**
L Mahaffy	19,967	–	–	**19,967**
SC Orlandi	143,337	59,146	–	**202,483**
CD Thompson	823,152	61,296	–	**884,448**
L Hunt	41,916	45,166	–	**87,082**
Total	**197,273,544**	**564,847**	**–**	**197,838,391**

(1) Ceased employment 30 June 2015.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

8. Remuneration Tables

i) Non-Executive Directors

		Short-Term	Post Employment	
	Year	Fees $	Superannuation[2] $	Total $
S Cheong [1]	**2016**	**–**	**–**	**–**
	2015	–	–	–
RJ Rowley	**2016**	**77,626**	**7,374**	**85,000**
	2015	77,626	7,374	85,000
E Sam [1]	**2016**	**–**	**–**	**–**
	2015	–	–	–
B Chin	**2016**	**60,000**	**–**	**60,000**
	2015	60,000	–	60,000
BG Hayman	**2016**	**45,662**	**4,338**	**50,000**
	2015	45,662	4,338	50,000
TP Lai	**2016**	**50,000**	**–**	**50,000**
	2015	50,000	–	50,000
D Tsang [1]	**2016**	**–**	**–**	**–**
	2015	–	–	–
Total	**2016**	**233,288**	**11,712**	**245,000**
Total	2015	233,288	11,712	245,000

(1) These Directors were not paid fees. A consulting fee of $50,000 per month was paid to the ultimate parent entity SC Global Developments Pte Ltd which covers the services of these Directors. International airfares to attend meetings are paid for by a related entity.

(2) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Group does not contribute to any Defined Benefit Plans.

(a) Directors are also reimbursed for airfares (other than the international airfares for those Directors referred to in (1) above, and other expenses relating to the provision of their services.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

8. Remuneration Tables (continued)

ii) Other KMP

		Short-Term				Post Employment	Other Long-Term	Share-based	Total	Performance Related
	Year	Salary $	Accrued Annual Leave $	STI $	Other[2] $	Superannuation[1] $	Accrued Long Service Leave $	LTI $	$	%
PK Summers	**2016**	**473,463**	**19,992**	**194,990**	**61,343**	**19,308**	**28,416**	**421,634**	**1,219,146**	**35.75**
	2015	438,895	25,089	188,396	77,595	18,783	25,054	17,996	791,808	18.20
A Soutar[3]	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2015	334,940	19,411	71,020	–	34,783	5,672	49,392	515,218	23.37
L Mahaffy	**2016**	**330,357**	**(2,326)**	**43,708**	**–**	**19,308**	**7,460**	**63,223**	**461,730**	**16.52**
	2015	319,057	5,337	36,599	–	18,783	4,194	18,469	402,439	13.68
SC Orlandi	**2016**	**290,200**	**11,186**	**46,426**	**–**	**19,308**	**12,582**	**57,520**	**437,222**	**17.22**
	2015	280,258	20,139	44,856	–	18,783	9,128	2,125	375,289	10.06
CD Thompson	**2016**	**363,138**	**(4,444)**	**63,741**	**–**	**19,308**	**18,616**	**70,765**	**531,124**	**18.71**
	2015	350,729	5,733	61,585	–	18,783	11,411	5,461	453,702	12.67
L Hunt	**2016**	**215,844**	**(367)**	**29,544**	**–**	**19,308**	**10,337**	**43,924**	**318,590**	**16.19**
	2015	208,375	1,144	28,545	–	18,783	6,274	1,623	264,744	8.73
Total	**2016**	**1,673,002**	**24,041**	**378,409**	**61,343**	**96,540**	**77,411**	**657,066**	**2,967,812**	
Total	2015	1,932,254	76,853	431,001	77,595	128,698	61,733	95,066	2,803,200	

(1) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Group does not contribute to any Defined Benefit Plans.
(2) 'Other' relates to the value of motor vehicle benefits.
(3) Ceased employment 30 June 2015.

Directors' Report

MEETINGS OF DIRECTORS AND DIRECTORS' COMMITTEES

The number of meetings of Directors and Directors' Committees held during the year, for the period the Director was a Member of the Board or a Committee, and the number of meetings attended by each Director are detailed below.

	Full Meetings of Directors		Meetings of Committees							
			Audit		Remuneration		Nominations		Risk Management	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Cheong	4	4	–	–	1	1	1	1	–	–
RJ Rowley	4	4	3	3	–	–	1	1	3	3
PK Summers	4	4	–	–	–	–	–	–	–	–
E Sam	4	4	–	–	1	1	1	1	–	–
B Chin	4	4	3	3	–	–	–	–	–	–
BG Hayman	4	4	–	–	1	1	1	1	3	3
TP Lai	4	4	3	3	1	1	–	–	–	–
D Tsang	4	4	3	3	–	–	–	–	–	–

Investments Committee

The Investments Committee does not formally meet in person. It conducts physical inspections of certain major development sites and receives detailed briefings from management on all major development sites prior to consideration of formal acquisition proposals which are dealt with by way of circular resolution.

DIRECTORS' INTERESTS

The relevant interests of the Directors in the shares of the Company at the date of this Report are:

Director	Number
S Cheong	192,318,030
E Sam	209,349
PK Summers*	3,119,775
RJ Rowley	252,000
D Tsang	837,396

*Does not include unvested shares under the AVJ Deferred Employee Share Plan. Refer to page 21.

INDEMNIFYING OFFICERS

During the year, the Group paid a premium in respect of a contract insuring its Directors and employees against liabilities that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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 indicated.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following Independence Declaration from our auditors, Ernst & Young:

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Building a better working world

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AVJENNINGS LIMITED

As lead auditor for the audit of AVJennings Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to t he audit ; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AVJennings Limited and the entities it controlled during the financial year.

Ernst & Young
28 September 2016

Mark Conroy
Partner

NON-AUDIT SERVICES

The Group's auditor, Ernst & Young provided certain non-audit services as outlined in note 29. The Board has considered these and based on advice received from the Audit Committee, is satisfied that provision of these services is compatible with, and did not compromise, the auditor independence requirements imposed by the *Corporations Act 2001*, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks or rewards.

Signed in accordance with a resolution of the Directors.

Simon Cheong
Director

Peter Summers
Director

28 September 2016

Consolidated Statement of Comprehensive Income

	Note	2016 $'000	2015 $'000
Revenues	2	**421,884**	**317,903**
Cost of sales		(315,731)	(232,641)
Gross profit		**106,153**	**85,262**
Share of (losses)/profits of associates and joint venture entities accounted for using the equity method	22(b)	(583)	1,569
Change in inventory loss provisions	2	3,665	3,720
Other operational expenses		(5,479)	(4,953)
Selling and marketing expenses		(11,002)	(7,126)
Employee expenses	2	(24,797)	(20,402)
Depreciation expense	2	(275)	(300)
Finance costs	2	(526)	(863)
Management and administration expenses		(8,373)	(8,736)
Profit before income tax		**58,783**	**48,171**
Income tax	3	(17,871)	(13,786)
Profit after income tax		40,912	34,385
Other comprehensive income			
Foreign currency translation		2,042	(1,397)
Other comprehensive income/(loss) for the year		**2,042**	**(1,397)**
Total comprehensive income for the year		**42,954**	**32,988**
Earnings per share (cents per share):			
Basic earnings per share	30	10.71	9.03
Diluted earnings per share	30	10.71	9.03

Consolidated Statement of Financial Position

	Note	2016 $'000	2015 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	43,086	37,812
Trade and other receivables	5	106,060	69,088
Inventories	6	209,939	204,942
Tax receivable		–	143
Other assets	7	2,140	2,060
Total current assets		**361,225**	**314,045**
NON-CURRENT ASSETS			
Trade and other receivables	5	21,694	13,094
Inventories	6	343,098	312,007
Equity accounted investments	22	8,684	10,667
Available-for-sale financial asset	8	2,880	2,880
Plant and equipment	9	985	605
Intangible assets	10	2,816	2,816
Total non-current assets		**380,157**	**342,069**
Total assets		**741,382**	**656,114**
CURRENT LIABILITIES			
Trade and other payables	11	120,611	117,461
Interest-bearing loans and borrowings	12	10,057	3,008
Tax payable		10,494	–
Provisions	13	6,261	5,510
Total current liabilities		**147,423**	**125,979**
NON-CURRENT LIABILITIES			
Trade and other payables	11	40,355	51,556
Interest-bearing loans and borrowings	12	165,466	123,716
Deferred tax	3(b)	23,437	16,775
Provisions	13	794	742
Total non-current liabilities		**230,052**	**192,789**
Total liabilities		**377,475**	**318,768**
Net assets		**363,907**	**337,346**
EQUITY			
Contributed equity	14	160,436	160,436
Reserves	15(a)	6,022	3,074
Retained earnings	15(c)	197,449	173,836
Total equity		**363,907**	**337,346**

Consolidated Statement of Changes in Equity

		Attributable to equity holders of AVJennings Limited				Total equity
		Contributed Equity	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	
	Note	$'000	$'000	$'000	$'000	$'000
At 1 July 2014		**160,436**	**3,188**	**1,173**	**150,983**	**315,780**
Profit for the year		–	–	–	34,385	34,385
Other comprehensive loss for the year		–	(1,397)	–	–	(1,397)
Total comprehensive (loss)/income for the year		–	(1,397)	–	34,385	32,988
Transactions with owners in their capacity as owners						
- Share-based payment expense reversed (forfeited shares)	28(a)	–	–	(326)	–	(326)
- Share-based payment expense	28(a)	–	–	436	–	436
- Dividends paid	16	–	–	–	(11,532)	(11,532)
		–	(1,397)	110	22,853	21,566
At 30 June 2015		**160,436**	**1,791**	**1,283**	**173,836**	**337,346**
Profit for the year		–	–	–	40,912	40,912
Other comprehensive income for the year		–	2,042	–	–	2,042
Total comprehensive income for the year		–	2,042	–	40,912	42,954
Transactions with owners in their capacity as owners						
- Share-based payment expense reversed (forfeited shares)	28(a)	–	–	(19)	–	(19)
- Share-based payment expense	28(a)	–	–	925	–	925
- Dividends paid	16	–	–	–	(17,299)	(17,299)
		–	2,042	906	23,613	26,561
At 30 June 2016		**160,436**	**3,833**	**2,189**	**197,449**	**363,907**

Consolidated Statement of Cash Flows

	Note	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		417,922	317,278
Payments to suppliers and employees		(432,880)	(320,115)
Finance costs including interest paid	2	(12,566)	(10,396)
Income tax paid		(786)	(1,127)
Net cash used in operating activities	17	**(28,310)**	**(14,360)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		2	8
Payments for plant and equipment	9	(735)	(274)
Interest received	2	526	863
Distributions received from associates and joint venture entities	22(b)	–	18,750
Dividends received from joint venture entity	22(b)	1,400	5,350
Payment for available-for-sale financial asset		–	(1,380)
Investments in associates and joint venture entities	22(b)	–	(6,091)
Net cash from investing activities		**1,193**	**17,226**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		454,482	240,177
Repayment of borrowings		(405,683)	(199,036)
Dividends paid	16	(17,299)	(11,532)
Net cash from financing activities		**31,500**	**29,609**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,383**	**32,475**
Cash and cash equivalents at beginning of year		37,812	4,796
Effects of exchange rate changes on cash and cash equivalents		891	541
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**43,086**	**37,812**

Notes to the Consolidated Financial Statements

Section A – How the numbers are calculated

Section A1 Segment information

1. OPERATING SEGMENTS

AVJennings 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 numerous low value items, amongst the most significant of which are interest and certain sales commissions.

Notes to the Consolidated Financial Statements

1. OPERATING SEGMENTS (continued)

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

Operating segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenues														
External sales	166,750	83,504	68,912	49,833	99,042	102,249	41,246	35,808	44,253	36,494	–	–	420,203	307,888
Management fees	50	5,559	710	277	–	–	22	58	3	719	–	–	785	6,613
Other revenue	–	–	–	–	–	–	–	–	–	–	896	3,402	896	3,402
Total segment revenues	**166,800**	**89,063**	**69,622**	**50,110**	**99,042**	**102,249**	**41,268**	**35,866**	**44,256**	**37,213**	**896**	**3,402**	**421,884**	**317,903**
Results														
Segment results	38,593	23,572	2,787	2,698	14,163	12,701	4,515	6,489	13,303	10,622	168	1,070	73,529	57,152
Share of (losses)/profits of associates and JVs accounted for using the equity method	17	1,569	–	(1)	–	–	(5)	1	–	–	(595)	–	(583)	1,569
Change in inventory loss provisions	2,949	3,720	–	–	716	–	–	–	–	–	–	–	3,665	3,720
Other income	–	–	–	–	–	–	–	–	–	–	896	3,402	896	3,402
Unallocated depreciation and amortisation	–	–	–	–	–	–	–	–	–	–	–	–	(275)	(300)
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	–	–	(17,923)	(16,509)
Unallocated interest expense	–	–	–	–	–	–	–	–	–	–	–	–	(526)	(863)
Profit before income tax													58,783	48,171
Income tax													(17,871)	(13,786)
Profit after income tax													**40,912**	**34,385**

Notes to the Consolidated Financial Statements

1. OPERATING SEGMENTS (continued)

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

Operating segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets														
Segment assets	216,793	188,455	188,256	185,145	99,274	86,762	95,188	101,704	84,422	49,847	57,449	44,201	741,382	656,114
Total assets	**216,793**	**188,455**	**188,256**	**185,145**	**99,274**	**86,762**	**95,188**	**101,704**	**84,422**	**49,847**	**57,449**	**44,201**	**741,382**	**656,114**
Liabilities														
Segment liabilities	53,113	48,796	70,527	98,182	14,530	7,279	6,088	5,156	62,586	25,621	170,631	133,734	377,475	318,768
Total liabilities	**53,113**	**48,796**	**70,527**	**98,182**	**14,530**	**7,279**	**6,088**	**5,156**	**62,586**	**25,621**	**170,631**	**133,734**	**377,475**	**318,768**

Notes to the Consolidated Financial Statements

Section A2 Profit and loss information

2. REVENUES AND EXPENSES

Revenues

	2016 $'000	2015 $'000
Sales of land and built form	420,203	307,888
Interest received	526	863
Management fees received/receivable	785	6,613
Other	370	2,539
Total revenues	**421,884**	**317,903**

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Development projects and land sales

Revenue from the sale of land, houses and apartments is recognised when the significant risks, rewards of ownership and effective control have been transferred to the buyer. This has been determined to generally occur on settlement.

Revenue from land sales is recognised prior to settlement when a signed unconditional contract for sale exists, the significant risks, rewards of ownership and effective control have been transferred to the buyer, and there is no management involvement to the degree usually associated with ownership.

Construction contracts

Contract revenue and costs are recognised by reference to the stage of completion of the contract. Depending on the nature of the contract, this is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs; completion of physical proportion of the contract work; or surveys of work performed. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Interest revenue

Revenue is recognised as interest accrues using the effective interest rate method.

Management fees

Revenue is recognised upon delivery of the services.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Notes to the Consolidated Financial Statements

2. REVENUES AND EXPENSES (continued)

Expenses

	Note	2016 $'000	2015 $'000
Cost of sales include:			
Amortisation of finance costs capitalised to inventories		15,454	10,172
Employee expenses			
Superannuation contributions		1,744	1,473
Other employee costs		23,053	18,929
Total employee expenses		**24,797**	**20,402**
Depreciation expense			
Leasehold improvements	9	8	7
Plant, equipment and motor vehicles	9	267	293
Total depreciation expense		**275**	**300**
Other expenses			
Minimum operating lease payments		2,636	2,421
Finance costs			
Bank loans and overdraft		12,566	10,396
Less: Amount capitalised to inventories		(12,040)	(9,533)
Finance costs expensed		**526**	**863**
Impairment of assets			
Decrease in inventory loss provisions		3,665	3,720
Total impairment reversed		**3,665**	**3,720**

For the year ended 30 June 2016, the movement in inventory loss provisions resulted from a realignment of future assumptions with current market conditions predominantly driven by projects in New South Wales and Queensland.

Notes to the Consolidated Financial Statements

3. INCOME TAX

	2016 $'000	2015 $'000
The major components of income tax are:		
Current income tax		
Current income tax charge	11,442	915
Adjustment for prior year	10	41
Deferred income tax		
Current year temporary differences	6,425	12,871
Adjustment for prior year	(6)	(41)
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**17,871**	**13,786**

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

	2016 $'000	2015 $'000
Accounting profit before income tax	**58,783**	**48,171**
Tax at Australian income tax rate of 30% (2015 – 30%)	17,635	14,451
Adjustment for prior year	4	–
Non-assessable equity accounted share of Joint Venture losses/(profits)	175	(471)
Other non-deductible items and variations	57	(194)
Income tax	**17,871**	**13,786**
Effective tax rate	**30%**	**29%**

(a) Tax consolidation legislation

AVJennings Limited and its wholly owned Australian entities are in a Tax Consolidated Group. All members of the Tax Consolidated Group are taxed as a single entity.

The Head Entity, AVJennings Limited, has entered into an agreement with its wholly owned subsidiary, AVJennings Properties Limited, under which AVJennings Properties Limited will account for the current and deferred tax amounts of the controlled entities in the Tax Consolidated Group.

The entities in the Tax Consolidated Group have entered into a Tax Sharing Agreement which provides for the allocation of income tax liabilities between the entities. This limits the tax liability of the wholly owned entities in the case of a default by the Head Entity.

The entities in the Tax Consolidated Group have also entered into a Tax Funding Agreement to fully compensate/be compensated by the Head Entity for current tax balances and deferred tax assets or unused tax losses and credits transferred.

Notes to the Consolidated Financial Statements

3. INCOME TAX (continued)

(b) Deferred tax

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
– inventories	15,421	13,783
– unearned revenue	9,954	6,639
– prepayments and accruals	(1,209)	(819)
– employee provisions and accruals	(1,294)	(927)
– brand name	845	845
– tax losses	–	(2,506)
– other	(280)	(240)
Deferred tax liabilities	**23,437**	**16,775**

(c) Accounting

Income tax expense is calculated at the applicable tax rate and recognised in the profit and loss for the year, unless it relates to other comprehensive income or transactions recognised directly in equity.

The tax expense comprises current and deferred tax. Broadly, current tax represents the tax expense paid or payable for the current year. Deferred tax accounts for tax on temporary differences. Temporary differences generally occur when income and expenses are recognised by tax authorities and for accounting purposes in different periods.

Deferred tax assets, including those arising from tax losses, are only recognised to the extent it is probable that sufficient taxable profits will be available to utilise the losses in the foreseeable future.

Notes to the Consolidated Financial Statements

Section A3 Balance Sheet information

4. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand	**43,086**	**37,812**

Accounting

Cash and cash equivalents in the *Consolidated Statement of Financial Position* comprise cash at bank and in hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

5. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Current		
Trade receivables	102,910	62,823
Related party receivables	1,600	1,753
Funds held in trust accounts	657	1,730
Other receivables	893	2,782
Total current trade and other receivables	**106,060**	**69,088**
Non-current		
Trade receivables	15,063	12,818
Related party receivables	1,601	276
Other receivables	5,030	–
Total non-current trade and other receivables	**21,694**	**13,094**

(a) Accounting

Trade receivables are recognised at the amount invoiced less provision for impairment. Trade receivables are generally due for settlement between 30 and 180 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment allowance is the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written-off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

Notes to the Consolidated Financial Statements

5. TRADE AND OTHER RECEIVABLES (continued)

(b) Allowance for impairment loss

No impairment loss (2015: $Nil) has been recognised by the Group in the current year.

At 30 June, the ageing analysis of trade receivables is as follows:

		Number of days outstanding				
	Total $'000	0-30 $'000	31-60 $'000	61-90 $'000	+ 91 $'000	+ 91# $'000
2016	117,973	117,962	6	–	5	–
2015	75,641	75,627	7	1	6	–

Considered impaired.

	2016 $'000	2015 $'000
At the beginning of the year	–	82
Amounts written off during the year	–	(82)
At the end of the year	**–**	**–**

(c) Related party receivables

For terms and conditions relating to related party receivables, refer to note 27(j).

(d) Other receivables

These generally arise from transactions outside of the classification of trade receivables such as sundry debtors. These receivables are not past due or impaired.

(e) Fair value and credit risk

The carrying value of receivables is assumed to approximate their fair value. The effect of discounting is immaterial.

Receivables consist of a large number of customers and there is no significant credit risk exposure to a single customer. Receivables in respect of land and built form require to be fully settled prior to passing of title.

Notes to the Consolidated Financial Statements

6. INVENTORIES

	Note	2016 $'000	2014 $'000
Current			
Broadacres			
Land to be subdivided – at cost		49,237	39,983
Borrowing and holding costs capitalised	6(a)	9,873	10,630
Impairment provision		(3,133)	(4,409)
Total broadacres		55,977	46,204
Work-in-progress			
Land subdivided or in the course of being subdivided – at cost		61,590	48,177
Development costs capitalised		26,025	29,147
Houses and apartments under construction – at cost		22,799	25,950
Borrowing and holding costs capitalised	6(a)	11,105	12,559
Impairment provision		(2,390)	(3,304)
Total work-in-progress		119,129	112,529
Completed inventory			
Completed houses and apartments – at cost		14,742	7,984
Completed residential land lots – at cost		18,138	38,025
Borrowing and holding costs capitalised	6(a)	2,833	2,758
Impairment provision		(880)	(2,558)
Total completed inventory		34,833	46,209
Total current inventories		**209,939**	**204,942**
Non-current			
Broadacres			
Land to be subdivided – at cost		278,176	254,162
Borrowing and holding costs capitalised	6(a)	29,182	27,562
Impairment provision		(14,076)	(19,394)
Total broadacres		293,282	262,330
Work-in-progress			
Land subdivided or in the course of being subdivided – at cost		32,382	33,838
Development costs capitalised		14,757	4,558
Houses and apartments under construction – at cost		1,231	1,219
Borrowing and holding costs capitalised	6(a)	1,805	6,896
Impairment provision		(519)	(530)
Total work-in-progress		49,656	45,981
Completed inventory			
Completed residential land lots – at cost		178	3,685
Borrowing and holding costs capitalised	6(a)	11	32
Impairment provision		(29)	(21)
Total completed inventory		160	3,696
Total non-current inventories		**343,098**	**312,007**
Total inventories		**553,037**	**516,949**

Notes to the Consolidated Financial Statements

6. INVENTORIES (continued)

(a) Borrowing costs attributable to qualifying assets are capitalised. These include interest, fees and costs associated with interest rate derivatives and have been capitalised at a weighted average rate of 6.18% (2015: 6.90%).

(b) Inventory with a carrying value of $98,405,000 (2015: $18,019,000) was pledged as security for project specific borrowings (refer to note 12(b)). The Group's remaining inventory has been pledged as security for the main banking facility (refer to note 12(a)).

Accounting

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most recent evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete.

Development projects and land

Costs include cost of acquisition, development, borrowings and all other costs directly related to specific projects. Borrowing and holding costs such as rates and taxes incurred after completion of development and construction are expensed. Costs expected to be incurred under penalty clauses and rectification provisions are also included.

Construction contracts

Construction work-in-progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Contract costs include all costs directly related to specific contracts, and costs that are specifically chargeable to the customer under the terms of the contract. The stage of completion is measured using the percentage of completion method.

Movement in impairment provisions

	2016 $'000	2015 $'000
At beginning of year	30,216	46,267
Amounts utilised	(5,524)	(12,331)
Amounts reversed	(3,665)	(3,720)
At end of year	**21,027**	**30,216**

7. OTHER ASSETS

	2016 $'000	2015 $'000
Prepayments	2,052	1,943
Deposits	88	117
Total other current assets	**2,140**	**2,060**

Notes to the Consolidated Financial Statements

8. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016 $'000	2015 $'000
Property Fund Units	**2,880**	**2,880**

These comprise units in unlisted property funds that do not have an active market. As the range of reasonable fair values can be significant and these estimates cannot be made reliably, the units are measured at cost less impairment.

The Company intends to hold the property fund units until the development activity being undertaken is completed, and all product is sold.

Impairment and risk exposure

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that occurred and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below the cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for an available-for-sale financial asset, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is taken to profit and loss.

None of the financial assets are either past due or impaired.

All available-for-sale investments are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the intention is to hold the investments to maturity.

Notes to the Consolidated Financial Statements

9. PLANT AND EQUIPMENT

	2016 $'000	2015 $'000
Leasehold improvements		
At cost	379	410
Less: accumulated depreciation	(259)	(347)
Total leasehold improvements	**120**	**63**
Plant, equipment and motor vehicles		
At cost	6,631	6,167
Less: accumulated depreciation	(5,766)	(5,625)
Total plant, equipment and motor vehicles	**865**	**542**
Total plant and equipment	**985**	**605**

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the year are set out below:

For the year ended 30 June 2015	Note	Leasehold improvements $'000	Plant, equipment and motor vehicles $'000	Total $'000
Carrying amount at 1 July 2014		62	580	642
Additions		8	266	274
Disposals		–	(11)	(11)
Depreciation charge	2	(7)	(293)	(300)
Carrying amount at 30 June 2015		**63**	**542**	**605**
For the year ended 30 June 2016				
Carrying amount at 1 July 2015		63	542	605
Additions		91	644	735
Disposals		(26)	(54)	(80)
Depreciation charge	2	(8)	(267)	(275)
Carrying amount at 30 June 2016		**120**	**865**	**985**

Accounting

Plant and equipment is stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis using the following rates which are consistent with the prior year:

Plant, equipment, and motor vehicles 3-7 years
Leasehold improvements 3-10 years

Notes to the Consolidated Financial Statements

10. INTANGIBLE ASSETS

	2016 $'000	2015 $'000
Brand name at cost	9,868	9,868
Less: accumulated amortisation	(7,052)	(7,052)
Total intangible assets	**2,816**	**2,816**

The intangible asset relates to the value of the "AVJennings" brand name which was acquired as part of a business combination in 1995. On recognition, the asset was determined to have a finite life of 20 years and was amortised over the expected useful life. In accordance with the accounting policy discussed below, the amortisation period and the amortisation method for an intangible asset are reviewed at least each financial year-end. A review carried out at 31 December 2009 determined that the brand name has indefinite useful life. This change in accounting estimate has been applied prospectively with amortisation ceasing as of 31 December 2009.

The brand name is tested for impairment annually, or more frequently if there are indicators of impairment. At 30 June 2016, there were no indicators of impairment.

Accounting

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The Group does not capitalise any expenditure resulting in the creation of internally generated intangible assets.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the *Consolidated Statement of Comprehensive Income* in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Notes to the Consolidated Financial Statements

11. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Secured		
Land creditors	4,350	–
Unsecured		
Land creditors	74,904	89,689
Trade creditors	14,306	12,403
Related party payables	3,128	3,128
Other creditors and accruals	23,923	12,241
	116,261	117,461
Total current payables	**120,611**	**117,461**
Non-Current		
Unsecured		
Land creditors	39,571	51,556
Other creditors and accruals	784	–
Total non-current payables	**40,355**	**51,556**

Land creditors

Titles for land purchased from unsecured land creditors only transfer to the Group on settlement of the amount outstanding or upon provision of some other security.

Related party payables

For terms and conditions relating to related party payables, refer to note 27(j).

Fair value

Due to the short term nature of current payables, their carrying amount is assumed to approximate their fair value. Non-current land creditors have been discounted using a rate of 5.65% (2015: 6.95%).

Accounting

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are usually unsecured and paid within 30 to 60 days of recognition.

Notes to the Consolidated Financial Statements

12. INTEREST-BEARING LOANS AND BORROWINGS

	2016 $'000	2015 $'000
Current		
Bank loans	10,057	3,008
Total current interest-bearing liabilities	**10,057**	**3,008**
Non-current		
Bank loans	165,466	123,716
Total non-current interest-bearing liabilities	**165,466**	**123,716**

Accounting

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Interest income on borrowed funds pending their expenditure, is deducted from borrowing costs eligible for capitalisation.

Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequently, the carrying value of loans and borrowings is at approximation to their fair values. The difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on establishment of loan facilities are capitalised as a prepayment and amortised over the period of the facility.

Borrowings are classified as current liabilities unless there is an unconditional right to defer repayment for at least 12 months after the reporting date.

Notes to the Consolidated Financial Statements

12. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Financing arrangements

The Group has access to the following lines of credit:

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2016				
Main banking facilities	12(a)			
– bank overdraft		5,000	–	5,000
– bank loans		225,000	143,243	81,757
– performance bonds		20,000	14,317	5,683
		250,000	**157,560**	**92,440**
Other non-cash facilities		**220**	**–**	**220**
Project funding facilities	12(b)			
– bank loans		**92,000**	**32,280**	**59,720**
Contract performance bond facilities	12(c)			
– performance bonds		**35,000**	**22,239**	**12,761**
30 June 2015				
Main banking facilities	12(a)			
– bank overdraft		5,000	–	5,000
– bank loans		210,000	123,716	86,284
– performance bonds		35,000	9,778	25,222
		250,000	**133,494**	**116,506**
Other non-cash facilities		**1,800**	**–**	**1,800**
Project funding facilities	12(b)			
– bank loans		**3,026**	**3,008**	**18**
Contract performance bond facilities	12(c)			
– performance bonds		**25,000**	**21,134**	**3,866**

At 30 June 2016 main banking facilities are interchangeable up to $47 million (2015: $47 million) between the bank loans and performance bonds.

Notes to the Consolidated Financial Statements

12. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Significant terms and conditions

(a) Main banking facilities

The Group's main banking facilities which were due to mature on 30 September 2017 have subsequent to the year end been extended to 30 September 2018. The main banking facilities are secured by a fixed and floating charge over all the assets and undertakings of the entities within the Group that are obligors under the main banking facilities, and by first registered mortgages over various real estate inventories other than those controlled by the Group under project development agreements and those assets pledged as security for project funding (see note 12(b)). The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee obligations of those entities in relation to the main banking facilities (see note 21). The current interest rates on the bank loans range from 2.88% to 3.74% (2015: 3.09% to 4.30%).

(b) Project funding facilities

Project funding facilities are secured by:

- a fixed and floating charge over the assets of the entity involved in the relevant project, namely, AVJennings Waterline Pty Ltd; and
- a first registered mortgage over certain real estate inventories of the entity involved in the relevant project, namely, AVJennings Waterline Pty Ltd.

The lines of credit shown are maximum limits which are available progressively as projects are developed. The expiry date for the facility at the reporting date was November 2019. The outstanding amounts are expected to be repaid or refinanced prior to expiry of the facility. As at 30 June 2016, the balance outstanding on the bank loan facilities was $32,280,000 (2015: $3,008,000).

	2016 $'000	**2015 $'000**
The carrying amounts of the pledged assets are as follows:		
Waterline, Victoria	98,905	-
Arlington Rise, Victoria	-	18,051

The weighted average interest rate on the project funding loans at year-end was 3.40% (2015: 2.09%).

(c) Contract performance bond facilities

The Group has entered into Contract performance bond facilities of $35,000,000 (2015: $25,000,000). The Contract performance bond facilities are subject to review annually. The facilities expire by 31 December 2016 and management expects the annual review which is underway, to be completed shortly and the facilities extended for a further 12 months. The performance bond facilities are secured by Deeds of Indemnity between the Parent Entity and various controlled entities. Details of the controlled entities, included in the Deeds of Indemnity are set out in note 21.

Notes to the Consolidated Financial Statements

13. PROVISIONS

	2016 $'000	2015 $'000
Current		
Employee benefits	4,028	3,760
Other	2,233	1,750
Total current provisions	**6,261**	**5,510**
Non-current		
Employee benefits	794	742
Total non-current provisions	**794**	**742**

Accounting

Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

Liabilities for long service leave are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, discounted using corporate bond rates. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Notes to the Consolidated Financial Statements

14. CONTRIBUTED EQUITY

	Note	2016 Number	2015 Number	2016 $'000	2015 $'000
Ordinary shares	14(a)	384,423,851	384,423,851	162,793	162,793
Treasury shares	14(b)	(2,338,154)	(3,502,401)	(2,357)	(2,357)
Share capital		**382,085,697**	**380,921,450**	**160,436**	**160,436**

(a) Movement in ordinary share capital	Number	Number	$'000	$'000
As at the beginning of the year	384,423,851	384,423,851	162,793	162,793
As at the end of the year	**384,423,851**	**384,423,851**	**162,793**	**162,793**

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

(b) Movement in treasury shares	Number	Number	$'000	$'000
As at the beginning of the year	(3,502,401)	(4,221,605)	(2,357)	(2,357)
Employee share scheme issue	1,164,247	719,204	–	–
As at the end of the year	**(2,338,154)**	**(3,502,401)**	**(2,357)**	**(2,357)**

Accounting

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the owners of AVJennings Limited as treasury shares.

Shares held by the AVJ Deferred Employee Share Plan are disclosed as treasury shares and deducted from contributed equity.

15. RESERVES AND RETAINED EARNINGS

(a) Reserves	Note	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Total $'000
At 1 July 2014		**3,188**	**1,173**	**4,361**
Foreign currency translation		(1,397)	–	(1,397)
Share-based payment expense	28(a)	–	110	110
At 30 June 2015		**1,791**	**1,283**	**3,074**
Foreign currency translation		2,042	–	2,042
Share-based payment expense	28(a)	–	906	906
At 30 June 2016		**3,833**	**2,189**	**6,022**

(b) Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on translation foreign operations are recognised in other comprehensive income as explained in note 36(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the *Consolidated Statement of Comprehensive Income* when the net investment is disposed of.

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of shares issued to employees, with a corresponding increase in employee expense in the *Statement of Comprehensive Income*. Refer to note 28(b) for details of the Plan.

Notes to the Consolidated Financial Statements

15. RESERVES AND RETAINED EARNINGS (continued)

(c) Retained earnings	2016 $'000	2015 $'000
Movements in retained earnings were as follows:		
At the beginning of the year	173,836	150,983
Net profit for the year	40,912	34,385
Dividends	(17,299)	(11,532)
At the end of the year	**197,449**	**173,836**

16. DIVIDENDS

	2016 $'000	2015 $'000
Cash dividends declared and paid		
2014 final dividend of 2.0 cents per share, paid 18 September 2014. Fully franked @ 30% tax	–	7,688
2015 interim dividend of 1.0 cent per share, paid 8 April 2015. Fully franked @ 30% tax	–	3,844
2015 final dividend of 3.0 cents per share, paid 23 September 2015. Fully franked @ 30% tax	11,532	–
2016 interim dividend of 1.5 cents per share, paid 15 April 2016. Fully franked @ 30% tax	5,767	–
Total cash dividends declared and paid	**17,299**	**11,532**
Dividends proposed		
2015 final dividend of 3.0 cents per share, paid 23 September 2015. Fully franked @ 30% tax	–	11,532
2016 final dividend of 3.5 cents per share, paid 23 September 2016. Fully franked @ 30% tax	13,455	–
Total dividends proposed	**13,455**	**11,532**

The Company's Dividend Reinvestment Plan remains suspended.

Dividend franking account		
Franking credits available for subsequent financial years based on a tax rate of 30%	**15,162**	**18,596**

The above balance is based on the balance of the dividend franking account at the year-end adjusted for:

- franking credits that will arise from the payment of the amount provided for income tax; and
- franking debits that will arise from the payment of dividends proposed at the year-end.

Notes to the Consolidated Financial Statements

Section A4 Cash Flows information

17. CASH FLOW STATEMENT RECONCILIATION

Reconciliation of profit after tax to net cash flow used in operating activities

	2016 $'000	2015 $'000
Profit after tax	**40,912**	**34,385**
Adjustments for non-cash items:		
Depreciation	275	300
Net loss on disposal of plant and equipment	80	4
Interest revenue classified as investing cash flow	(526)	(863)
Share of losses/(profits) of associates and joint venture entities	583	(1,569)
Change in inventory loss provisions	(9,189)	(16,051)
Share-based payments expense	906	110
Change in operating assets and liabilities:		
Increase in inventories	(26,899)	(120,075)
Increase in trade and other receivables	(45,572)	(31,466)
Increase in other current assets	(80)	(673)
Decrease/(increase) in current tax receivables	143	(143)
Increase in deferred tax liability	6,662	12,734
Increase/(decrease) in current tax liability	10,494	(251)
(Decrease)/increase in trade and other payables	(6,902)	108,350
Increase in provisions	803	848
Net cash used in operating activities	**(28,310)**	**(14,360)**

Section B – Risk

18. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements involves the use of certain critical accounting estimates and requires management to exercise judgement. These estimates and judgements are continually reviewed based on historical experience, current and expected market conditions as well as other relevant factors.

(i) Judgements

In applying the Group's accounting policies, management makes judgements, which can significantly affect the amounts recognised in the Consolidated Financial Statements. This includes the determination of whether revenue recognition criteria has been satisfied on sales of land lots with deferred settlement terms.

(ii) Estimates and assumptions

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Estimates of net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the net amount expected to be realised from the sale of inventories, and the estimated costs of completion. The key assumptions used in this exercise require judgement and are reviewed at least half-yearly.

Profit recognised on developments:

The calculation of profit for land lots and built form is based on actual costs to date and estimates of costs to complete.

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, loans and borrowings, cash and short-term deposits, derivatives and financial guarantee contracts.

The Group's treasury department focuses on the following main financial risks: interest rate risk, foreign currency risk, credit risk and liquidity risk. It provides assurance to the Group's senior management that financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with policies and risk objectives.

Responsibility for the monitoring of financial risk exposure and the formulation of appropriate responses rests with the Chief Financial Officer.

The Board reviews and approves policies, discusses their appropriateness with senior management and varies them as necessary.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or future cash flows associated with it will fluctuate because of changes in market interest rates. The exposure to market interest rates primarily relates to interest-bearing loans and borrowings issued at variable rates.

In assessing interest rate risk, the Group considers its loan maturity and cash flow profile and the outlook for interest rates over the medium term. To manage this, the Group may enter into hedging strategies that combine interest rate caps and floors, as well as floating-to-fixed interest rate swap contracts. However, the forecast cash position together with the current benign outlook for medium term interest rates has resulted in the Group retaining none of the drawn debt at a fixed rate of interest.

The Group may use various techniques, including interest rate swaps, caps and collars to hedge its risk associated with interest rate fluctuations. These derivatives do not qualify for hedge accounting and changes in fair value are recognised in profit and loss.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and their fair value is reassessed at the end of each reporting period. Derivative financial instruments are not held for trading purposes.

At balance date, the following variable rate borrowings, interest rate cap and interest rate collar contracts were outstanding:

	2016		2015	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	**$'000**	**%**	**$'000**
Cash	1.73	(43,086)	2.16	(37,812)
Bank loans	3.24	175,523	3.41	126,724
Net financial liabilities		**132,437**		**88,912**
Interest rate cap and collar		–		(20,000)
Borrowings not hedged		**132,437**		**68,912**

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

Interest rate derivative contracts are exposed to fair value movements if interest rates change. Details of these contracts are:

Type of derivative	Period Start Date	Period End Date	Cap Rate %	Floor Rate %	Principal Amount 2016 $'000	Principal Amount 2015 $'000
Interest rate cap and collar	11-Jun-15	30-Sep-15	2.95	2.50	–	20,000

At 30 June 2016, none of the available borrowings are at capped and collared rates of interest (2015: 9.2%).

The Group analyses its interest rate exposure on an ongoing basis. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on exposures existing at balance date.

With all other variables held constant, profit after tax and other comprehensive income would have been affected as follows:

	Profit After Tax Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
+100 basis points	(276)	(163)	–	–
+50 basis points	(138)	(86)	–	–
–50 basis points	138	55	–	–

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries.

At balance date, the Group had the following exposure to New Zealand Dollar foreign currency that is not hedged:

	2016 NZ$'000	**2015 NZ$'000**
Financial Assets		
Cash and cash equivalents	10,273	6,399
Trade and other receivables	50,076	41,430
Total financial assets	**60,349**	**47,829**
Financial Liabilities		
Trade and other payables	57,511	20,120
Interest-bearing loans and borrowings	5,500	5,500
Total financial liabilities	**63,011**	**25,620**
Net exposure	**(2,662)**	**22,209**

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign currency risk (continued)

The following table demonstrates the sensitivity to a change in AUD/NZD exchange rates on exposures existing at balance date.

With all other variables held constant, profit after tax and other comprehensive income would have been affected as follows:

	Profit After Tax Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
AUD/NZD +10%	(732)	(656)	(204)	(140)
AUD/NZD – 5%	366	328	102	70
AUD/NZD – 10%	732	656	204	140

(iii) Credit risk

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument, leading to a financial loss. Credit risk arises from cash and cash equivalents, trade and other receivables, available-for-financial asset, financial instruments and from granting of financial guarantees.

Trade Receivables

Contracts for Land, Integrated Housing and Apartments usually require payment in full prior to passing of title to customers and collateral is therefore unnecessary. In the event that title is to pass prior to full payment being received, appropriate credit verification procedures are performed before contract execution.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with Group policy. Surplus funds are invested in high quality and low risk short-term money market instruments to ensure preservation of capital. Counterparties are limited to financial institutions approved by the Board.

Credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets as well as $5,593,000 (2015: $2,801,000) in relation to financial guarantees granted – see note 33 for further information.

The Group has no significant concentrations of credit risk.

(iv) Liquidity risk

The Group manages its liquidity risk by monitoring forecast cash flows on a fortnightly basis and matching the maturity profiles of financial assets and liabilities. These are reviewed by the Chief Financial Officer and presented to the Board as appropriate. The objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit facilities.

The current main banking facilities are due to mature on 30 September 2018 and are therefore non-current. In addition, the Group operates certain project funding facilities which are discussed in note 12(b). The maturity profile of all debt facilities is monitored on a regular basis by the Chief Financial Officer and ongoing financing plans presented to the Board for approval well in advance of maturity.

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(iv) Liquidity risk (continued)

At 30 June 2016, 5.7% (2015: 2.4%) of the Group's interest-bearing loans and borrowings will mature in less than one year.

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

Year ended 30 June 2016	< 6 months $'000	6–12 months $'000	> 1–5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	43,086	–	–	43,086
Trade and other receivables	91,922	14,138	21,694	127,754
	135,008	**14,138**	**21,694**	**170,840**
Financial Liabilities				
Trade and other payables	103,714	16,897	40,355	160,966
Interest-bearing loans and borrowings*	2,868	12,892	168,420	184,180
Financial Guarantees	5,593	–	–	5,593
	112,175	**29,789**	**208,775**	**350,739**
Net maturity	**22,833**	**(15,651)**	**(187,081)**	**(179,899)**

Year ended 30 June 2015	< 6 months $'000	6–12 months $'000	> 1–5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	37,812	–	–	37,812
Trade and other receivables	58,987	10,377	12,818	82,182
	96,799	**10,377**	**12,818**	**119,994**
Financial Liabilities				
Trade and other payables	106,670	10,791	51,556	169,017
Interest-bearing loans and borrowings*	5,163	2,109	129,040	136,312
Financial Guarantees	2,801	–	–	2,801
	114,634	**12,900**	**180,596**	**308,130**
Net maturity	**(17,835)**	**(2,523)**	**(167,778)**	**(188,136)**

* Expected settlement amounts of interest-bearing loans and borrowings include an estimate of the interest payable to the date of expiry of the facilities.

In addition to maintaining sufficient short term assets to meet short term payments, at reporting date, the Group has approximately $165 million (2015: $122 million) of unused credit facilities available for its immediate use. Please refer to note 12.

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(v) Fair value

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities:

	Year ended 30 June 2016				Year ended 30 June 2015			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Financial liabilities								
Interest-bearing loans and borrowings	–	175,523	–	175,523	–	126,724	–	126,724
	–	175,523	–	175,523	–	126,724	–	126,724

20. CAPITAL RISK MANAGEMENT

In managing capital, management's objective is to ensure that returns to shareholders are optimised by using a mix of funding options. The aim is to achieve the lowest possible weighted average cost of capital.

In order to maintain or adjust the capital structure, management may change the amount of dividends, offer a dividend reinvestment plan, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2016, a total dividend of $17,299,000 was paid (2015: $11,532,000).

Management monitors capital mix through the debt to equity ratio (net debt/total equity) and the debt to total assets ratio (net debt/total assets) calculated below:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Interest-bearing loans and borrowings	175,523	126,724
Less: cash and cash equivalents	(43,086)	(37,812)
Net debt	132,437	88,912
Total equity	363,907	337,346
Total assets	741,382	656,114
Net debt to equity ratio	**36.4%**	**26.4%**
Net debt to total assets ratio	**17.9%**	**13.6%**

AVJennings Limited complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods.

Notes to the Consolidated Financial Statements

Section C – Group Structure

21. CONTROLLED ENTITIES

(a) Investment in controlled entities

The following economic entities are the controlled entities of AVJennings Limited:

	% Equity Interest		Included in Banking Cross Deed of Covenant [2]	
ECONOMIC ENTITY [1]	**2016**	**2015**	**2016**	**2015**
Entities included in the Closed Group				
A.V. Jennings Real Estate Pty Limited	100	100	No	No
AVJennings Real Estate (VIC) Pty Limited	100	100	No	No
AVJennings Holdings Limited[3]	100	100	Yes	Yes
AVJennings Properties Limited[3]	100	100	Yes	Yes
Jennings Sinnamon Park Pty Limited	100	100	No	No
Long Corporation Limited[3]	100	100	Yes	Yes
Orlit Pty Limited[3]	100	100	Yes	Yes
Sundell Pty Limited[3]	100	100	Yes	Yes
AVJennings Housing Pty Limited[3]	100	100	Yes	Yes
AVJennings Home Improvements S.A. Pty Limited[3]	100	100	Yes	Yes
AVJennings Mackay Pty Limited[3]	100	100	Yes	Yes
Entities excluded from the Closed Group				
Crebb No 12 Pty Limited	100	100	Yes	Yes
Dunby Pty Limited	100	100	Yes	Yes
Epping Developments Limited	100	100	No	No
Montpellier Gardens Pty Limited	100	100	Yes	Yes
AVJ ODP Pty Limited	100	100	No	No
AVJennings (Cammeray) Pty Limited	100	100	Yes	Yes
AVJennings Syndicate No 3 Limited	100	100	No	No
AVJennings Syndicate No 4 Limited[3]	100	100	Yes	Yes
AVJennings Officer Syndicate Limited[3]	100	100	Yes	Yes
AVJennings Properties SPV No 1 Pty Limited	100	100	No	No
AVJennings Properties SPV No 2 Pty Limited	100	100	Yes	No
AVJennings Properties SPV No 4 Pty Limited	100	100	Yes	Yes
AVJennings Properties Elderslie No 2 Pty Ltd	100	–	No	N/A
AVJennings Wollert Pty Limited	100	100	Yes	Yes
AVJ Erskineville Pty Limited	100	100	Yes	Yes
AVJ Hobsonville Pty Limited	100	100	Yes	Yes
AVJennings Properties SPV No 9 Pty Limited	100	100	Yes	No
AVJennings SPV No 10 Pty Limited	100	100	No	No
AVJennings SPV No 19 Pty Limited	100	–	No	N/A
AVJennings SPV No 20 Pty Limited	100	–	No	N/A
AVJennings SPV No 21 Pty Limited	100	–	No	N/A
Creekwood Developments Pty Limited[3]	100	100	Yes	Yes
Portarlington Nominees Pty Limited	100	100	Yes	No
AVJennings St Clair Pty Limited	100	100	Yes	Yes
St Clair JV Nominee Pty Limited	100	100	Yes	Yes
AVJennings Properties Wollert SPV Pty Limited	100	100	No	No
AVJennings Waterline Pty Limited	100	100	No	No

(1) All entities are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited which has a branch in New Zealand, all entities operate within Australia.
(2) These entities, including AVJennings Limited, are included under the Banking Cross Deed of Covenant referred to in note 12(a).
(3) These entities, including AVJennings Limited, are included in the Deeds of Indemnity for performance bond facilities referred to in note 12(c).

Notes to the Consolidated Financial Statements

21. CONTROLLED ENTITIES (continued)

(b) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Pte Ltd is the ultimate parent entity.

(c) Deeds of cross guarantee

Certain entities within the Group are parties to deeds of cross guarantee under which each controlled entity guarantees the debts of the others. By entering into these deeds, the controlled entities are relieved from the requirement to prepare Financial Statements and Directors' Reports under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/321, 01/1087, 02/248, 02/1017, 04/663, 04/682, 04/1624, 05/542, 06/51, 08/11, 08/255, 08/618 and 09/626) issued by the Australian Securities and Investments Commission (ASIC). Those entities included in the Closed Group are listed in note 21(a). These entities represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deeds of cross guarantee that are controlled by AVJennings Limited, they also represent the "Extended Closed Group".

(d) Class order closed group

Certain controlled entities were granted relief by ASIC (under provisions of Class Orders) from the requirement to prepare separate audited financial statements, where deeds of indemnity have been entered into between the Parent Entity and the Controlled Entities to meet their liabilities as required (refer to note 21(c)).

The Extended Closed Group referred to in the *Directors' Declaration* therefore comprises all of the entities within the Class Order. Certain entities falling outside of the Extended Closed Group are listed in note 21(a), and are therefore required to prepare separate annual financial statements.

The *Consolidated Statement of Comprehensive Income* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2016 $'000	**2015 $'000**
Revenues	200,591	162,203
Cost of property development sold	(139,923)	(107,375)
Other expenses	(40,587)	(34,941)
Profit before income tax	**20,081**	**19,887**
Income tax	(6,057)	(6,576)
Profit after income tax	**14,024**	**13,311**
Dividends paid	(17,299)	(11,532)
(Loss)/profit for the year	**(3,275)**	**1,779**

Notes to the Consolidated Financial Statements

21. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Consolidated Statement of Financial Position* for those controlled entities which are party to the deed is as follows:

	2016 $'000	2015 $'000
CURRENT ASSETS		
Cash and cash equivalents	41,265	31,503
Trade and other receivables	182,747	182,447
Inventories	104,115	88,470
Other assets	644	1,852
Total current assets	**328,771**	**304,272**
NON-CURRENT ASSETS		
Trade and other receivables	6,631	–
Inventories	148,976	132,899
Equity accounted investments	5,495	6,090
Available-for-sale financial asset	2,880	2,880
Plant and equipment	985	605
Intangible assets	2,816	2,816
Total non-current assets	**167,783**	**145,290**
Total assets	**496,554**	**449,562**
CURRENT LIABILITIES		
Trade and other payables	64,512	50,372
Tax payable	9,146	–
Provisions	6,136	5,411
Total current liabilities	**79,794**	**55,783**
NON-CURRENT LIABILITIES		
Trade and other payables	784	–
Interest-bearing loans and borrowings	138,000	118,846
Deferred tax	19,078	13,718
Provisions	794	742
Total non-current liabilities	**158,656**	**133,306**
Total liabilities	**238,450**	**189,089**
Net assets	**258,104**	**260,473**
EQUITY		
Contributed equity	160,436	160,436
Reserves	2,188	1,282
Retained earnings	95,480	98,755
Total equity	**258,104**	**260,473**

Notes to the Consolidated Financial Statements

21. CONTROLLED ENTITIES (continued)

(d) Class order closed group (continued)

The *Consolidated Statement of Changes in Equity* for those controlled entities which are party to the deed is as follows:

	Closed Group	
	2016 $'000	**2015 $'000**
At beginning of year	260,473	258,584
(Loss)/profit for the year	(3,275)	1,779
Total income and expenses for the year	(3,275)	1,779
Transactions with owners in their capacity as owners		
– Share-based payment expense	906	110
	(2,369)	1,889
At end of year	**258,104**	**260,473**

22. EQUITY ACCOUNTED INVESTMENTS

	Note	**2016 $'000**	**2015 $'000**
Investment in Associate – unincorporated		4	4
Interest in Joint Ventures – unlisted	22(a)	8,680	10,663
Total equity accounted investments		**8,684**	**10,667**

Accounting

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associate and joint ventures are accounted for using the equity method. Under the equity method, investments in these entities are carried at cost plus post acquisition changes in the Group's share of net assets of these entities.

The *Consolidated Statement of Comprehensive Income* reflects the Group's share of profits or losses of equity accounted investments. Changes in OCI of these investments are presented as part of the Group's OCI. If a change has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of the change in equity. Dividends received from an associate or a joint venture are recognised as a reduction in the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture, until such time as they are realised by the associate or joint venture on consumption or sale.

The aggregate of the Group's share of profit or loss of associate and joint ventures is shown separately on the face of the *Consolidated Statement of Comprehensive Income* and represents profit or loss after tax and non-controlling interests in the associates and joint ventures.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its equity accounted investments. If there is objective evidence that the investment in the associate or joint venture is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises it in the *Consolidated Statement of Comprehensive Income*.

Notes to the Consolidated Financial Statements

22. EQUITY ACCOUNTED INVESTMENTS (continued)

(a) Interest in Joint Ventures

	Interest held	
	2016	**2015**
Joint Venture and principal activities		
Eastwood – Land Development and Building Construction	50.0%	50.0%
Woodville – Land Development and Building Construction	50.0%	50.0%
Pindan Capital Group Dwelling Trust – Building Construction	33.3%	33.3%

	2016 $'000	**2015 $'000**
Movements in carrying amount		
At beginning of year	10,663	27,103
Contributions made	–	6,091
Distributions received	–	(18,750)
Dividends received	(1,400)	(5,350)
Share of (loss)/profit	(583)	1,569
At end of year	**8,680**	**10,663**

The Group's share of the individually immaterial Joint Ventures' assets, liabilities, revenues and expenses are as follows:

	2016 $'000	**2015 $'000**
Share of assets and liabilities		
Current assets	3,778	7,586
Non-current assets	10,868	8,970
Total assets	14,646	16,556
Current liabilities	4,093	4,846
Non-current liabilities	1,873	1,047
Total liabilities	5.966	5,893
Net assets	**8,680**	**10,663**
Share of revenues and expenses		
Revenues	43	29,985
Expenses	(621)	(27,743)
(Loss)/profit before income tax	(578)	2,242
Income tax	(5)	(673)
(Loss)/profit after income tax	**(583)**	**1,569**

Notes to the Consolidated Financial Statements

23. INTEREST IN JOINT OPERATIONS

A number of controlled entities have entered into joint operations. Information relating to the Joint Operations is set out below:

	Interest Held	
	2016	**2015**
Joint Operation name, principal place of business and principal activities		
Hobsonville Joint Venture (New Zealand) – Land Development	–	50%
Elderslie Joint Venture (New South Wales) – Land Development and Building Construction	–	50%
Wollert Joint Venture (Victoria) – Land Development and Building Construction	49%	49%

In June 2015, the development and sales of land at Hobsonville Buckley A was completed.

In November 2015, the Group purchased the remaining 50% share held by the joint operation partner in the Elderslie Joint Venture. Elderslie did not constitute a business and was therefore accounted for as an asset acquisition.

Accounting

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the joint operation. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The proportionate interests in the assets, liabilities, revenues and expenses of joint operations have been recognised in the Financial Statements under the appropriate headings.

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

	2016 $'000	**2015 $'000**
Revenues	3,088	15,606
Cost of property developments sold	(2,695)	(11,082)
Other expenses	(188)	(946)
Profit before income tax	**205**	**3,578**
Income tax	(62)	(1,073)
Profit after income tax	**143**	**2,505**
Total comprehensive income for the year	**143**	**2,505**

Notes to the Consolidated Financial Statements

23. INTEREST IN JOINT OPERATIONS (continued)

The Group's interest in the assets and liabilities of individually immaterial Joint Operations are included in the *Consolidated Statement of Financial Position*, under the following classifications:

	2016 $'000	2015 $'000
CURRENT ASSETS		
Cash and cash equivalents	947	6,259
Trade and other receivables	12	493
Inventories	730	-
Total current assets	**1,689**	**6,752**
NON-CURRENT ASSETS		
Inventories	22,315	17,920
Total non-current assets	**22,315**	**17,920**
Total assets	**24,004**	**24,672**
CURRENT LIABILITIES		
Trade and other payables	259	10,100
Total current liabilities	**259**	**10,100**
NON-CURRENT LIABILITIES		
Trade and other payables	1,028	232
Total non-current liabilities	**1,028**	**232**
Total liabilities	**1,287**	**10,332**
Net assets	**22,717**	**14,340**

Notes to the Consolidated Financial Statements

Section D – Other information

24. CORPORATE INFORMATION

The Consolidated Financial Statements of AVJennings Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 28 September 2016.

AVJennings Limited (the Parent) is a for-profit Company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Singapore Exchange through SGX Globalquote. The ultimate parent is SC Global Developments Pte Ltd, a company incorporated in Singapore which owns 50.03% of the ordinary shares in AVJennings Limited.

The Group ("AVJennings" or "Group") consists of AVJennings Limited ("Company" or "Parent") and its controlled entities.

The nature of the operations and principal activities of the Group are provided in the *Directors' Report.*

25. STATEMENT OF COMPLIANCE

These consolidated financial statements are general purpose financial reports. They have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

26. BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis, using historical cost convention. All figures in the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations Instrument 2016/191*, unless otherwise indicated.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

27. RELATED PARTY DISCLOSURES

(a) Ultimate parent

AVJennings Limited is the ultimate Australian parent entity. SC Global Developments Pte Ltd (incorporated in Singapore) is the ultimate parent entity.

(b) Share and share option transactions with Directors and Director-related entities

The aggregate number of shares and options held at the reporting date either directly or indirectly or beneficially by the Directors or by an entity related to those Directors of AVJennings Limited are as follows:

	Owned by Directors directly, or indirectly or beneficially	
	2016 Number	**2015 Number**
Fully paid ordinary shares	196,736,550	196,432,280

(c) Entity with significant influence over AVJennings Limited

192,318,030 ordinary shares equating to 50.03% of the total ordinary shares on issue (2015: 192,318,030 and 50.03% respectively) were held by SC Global Developments Pte Ltd and its associates in the Parent Entity at 30 June 2016. Certain Directors of SC Global Developments Pte Ltd are also Directors of AVJennings Limited. Details of Directors' interests in the shares of the Parent Entity are set out in the *Directors' Report.*

(d) Parent Entity amounts receivable from and payable to controlled entities

An impairment assessment is undertaken each reporting period to determine whether there is objective evidence that a related party receivable is impaired. At 30 June 2016, there is no evidence of impairment and recoverability is considered probable (2015: Nil).

Notes to the Consolidated Financial Statements

27. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	Note	2016 $	2015 $
Entity with significant influence over the Group:			
SC Global Developments Pte Ltd			
Consultancy fee paid/payable	(i)	600,000	600,000
Joint Ventures:			
Eastwood JV			
Management fee received/receivable		49,684	5,558,869
Accounting services fee received/receivable		12,500	45,833
Dividends received		1,400,000	5,350,000
Distributions received		–	18,750,000
Woodville JV			
Accounting services fee received/receivable		16,500	30,000
Joint Operations:			
Wollert JV			
Planning services fee received/receivable		–	813,450
Management fee received/receivable		1,935,132	276,447
Accounting services fee received/receivable		50,000	8,333
Cheltenham JV			
Accounting services fee received/receivable		–	24,000

(i) Consultancy fees paid to SC Global Developments Pte Ltd of $600,000 (2015: $600,000)

(f) Joint ventures and Joint operations in which related entities in the Group are venturers

Joint arrangements in which the Group has an interest are set out in notes 22 and 23.

(g) Outstanding balances arising from provision of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

	2016 $'000	2015 $'000
Current receivables		
Joint Ventures	1,600	1,753
Non-current receivables		
Joint Ventures	1,601	276

(h) Loans to and from related parties

Loan advanced		
Joint Ventures	1,119	181
Loan received		
Joint Ventures	2,978	2,978

Notes to the Consolidated Financial Statements

27. RELATED PARTY DISCLOSURES (continued)

(i) Remuneration of Key Management Personnel

	2016 $	2015 $
Short-term		
– Salary/Fees	1,906,290	2,165,542
– Accrued annual leave	24,041	76,853
– STI	378,409	431,001
– Other [1]	61,343	77,595
Post employment		
– Superannuation [2]	108,252	140,410
Long-term		
– Accrued Long service leave	77,411	61,733
Share-based payment	657,066	95,066
	3,212,812	**3,048,200**

(1) 'Other' represents the value of motor vehicle benefits.

(2) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions. The Group does not contribute to any Defined Benefit Plans.

(j) Terms and conditions of transactions with related parties

Transactions with related parties are made at arm's length both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free, at call and settlement occurs in cash.

28. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

Total expenses arising from share-based payment transactions and disclosed as part of employee benefit expenses are shown in the table below:

	2016 $'000	2015 $'000
Expense arising from equity-settled share-based payment transactions	925	436
Expense reversed on forfeiture of shares	(19)	(326)
Total expense arising from share-based payment transactions	**906**	**110**

The share-based payment plan is described in note 28(b).

(b) Type of share-based payment plan

LTI awards are only made to executives who are in a position to have an impact on the Group's performance and the creation of shareholder value over the long term.

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

(b) Type of share-based payment plan (continued)

(i) LTI and retention (current year and 2015)

With effect from FY15, LTI arrangements were varied and remuneration is now provided by the Issue of Rights (instead of shares) and includes a retention component. The use of Rights as an incentive reduces the upfront cash requirements of the Company (as shares do not need to be acquired for allocations) and because participants do not receive dividends on Rights (as distinct from shares).

The Total Shareholder Return (TSR) hurdle of the LTI component was replaced by a Return on Equity (ROE) hurdle which uses market capitalisation as a proxy for equity, and is more appropriate from a shareholders' perspective as the required rates of return do not vary with "market" performance. The ROE hurdle operates such that 50% vesting occurs at an average annual return of 12% with 100% vesting at an average annual return of 18%. The EPS hurdle remains unchanged and is consistent with the FY14 and prior years' LTI structure explained under LTI (FY14 and prior years) below. The performance conditions will be tested at the end of the three year vesting period and the number of rights that may vest will depend on the level of average annual returns achieved over that three year period. The service rights are split into three tranches that progressively vest each year subject to satisfaction of the service condition. The CEO's participation was determined as 40% (LTI) and 25% (Retention component) of TEC respectively.

The operation of the EPS, ROE and Retention hurdles are set out below.

AVJennings' EPS growth rate over the three year performance period	Percentage of rights vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% –10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

AVJennings' ROE over the three year performance period	Percentage of rights vesting
<12%	Nil
12%	50%
15%	75%
>=18%	100% (Straight line interpolation between 12% and 18%)

Retention component – years of service	Percentage of rights vesting
one year	33.33%
two years	33.33%
three years	33.34%

Accounting

The fair value of the rights at the date of the grant is determined using an appropriate valuation model. The fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Consolidated Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

(ii) LTI Awards (FY2014 and prior years)

The AVJ Deferred Employee Share Plan (the LTI Plan) administers employee share schemes under which shares were purchased on-market by the LTI Plan Trustee on behalf of employees. These shares will vest to employees for no cash consideration subject to certain conditions being satisfied. Shares held by the LTI Plan's trustee and not yet allocated to employees are shown as treasury shares in the Financial Statements.

Vesting is subject to both service and performance conditions, except for the FY13 Delayed Grant which is only subject to the service condition (see below). The service condition requires the executive to be employed by the Company as at 30 September in the third year after the grant date for each grant. The performance conditions apply to each grant – as to 50% as measured by the TSR hurdle and as to 50% by the EPS hurdle. The two performance hurdles are tested differently. The EPS hurdle is tested as at 30 June in the test year (three years after grant). The TSR hurdle is tested at 30 September of the third year after grant.

The service vesting condition for the FY13 and FY14 Grants is that the employee must still be employed by AVJennings at 30 September 2015 and 30 September 2016 respectively. In the event of death, permanent disablement or retrenchment, the shares may vest to the estate at the Board's discretion. If the employee resigns (in certain circumstances) or is terminated, the unvested shares will be forfeited.

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

(b) Type of share-based payment plan (continued)

Summary of treasury shares

The following summarises the movement of the number of shares (both KMP and other executives) under the LTI Plan:

	Purchased on market	Issued from holding account	Forfeited and transferred to holding account	Shares vested	Unvested shares
FY2011 Grant	1,375,452	–	(1,375,452)	–	–
FY2012 Grant	1,695,735	–	(1,240,047)	(455,688)	–
FY2013 Grant	293,913	219,255	–	(513,168)	–
FY2013 Delayed Grant	–	527,027	(32,653)	(494,374)	–
FY2014 Grant	856,505	753,591	(258,443)	(36,921)	1,314,732
FY2015 Rights Grant	–	169,402	–	(169,402)	–
FY2016 Rights Grant	–	213,898	–	(213,898)	–
Holding Account	–	(1,883,173)	2,906,595	–	1,023,422
Total	**4,221,605**	**-**	**-**	**(1,883,451)**	**2,338,154**

Summary of rights granted

The following is the status of rights granted (both KMP and other executives) from FY15 onwards under the restructured share-based remuneration:

	Rights granted	Rights vested	Rights forfeited	Unvested rights
FY2015 Grant	1,363,583	(169,402)	(164,666)	1,029,515
FY2016 Grant	1,587,251	(213,898)	(104,413)	1,268,940
Total	**2,950,834**	**(383,300)**	**(269,079)**	**2,298,455**

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

(b) Type of share-based payment plan (continued)

The performance vesting conditions are:

- Total Shareholder Return (TSR) performance measured against the ASX Small Industrials Index; and
- Earnings Per Share (EPS) growth. AVJennings' EPS growth for the performance period must meet or exceed the target set. The EPS hurdle for total vesting for each grant is as follows:

  FY2013 grant – 10% p.a. growth for the three financial years to 30 June 2015
  FY2014 grant – 10% p.a. growth for the three financial years to 30 June 2016

Half of the allocation is assessed against each performance condition. The vesting schedule for the TSR and EPS performance conditions are set out in the tables below. The holder of the shares is entitled to receive all dividends paid between grant and vesting date.

AVJennings' TSR rank against companies in the Index at 30 September	Percentage vesting
< median	Nil
At the median	50%
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
>=75th percentile	100%

AVJennings' EPS growth rate over the performance period	Percentage vesting
< 5%	Nil
5%	50% of the allocation for the hurdle
5% – 10%	Pro-rata between 50% and 100%
>=10%	100% of the allocation for the hurdle

Accounting

The original cost of equity-settled transactions is treated as a reduction in share capital and the underlying shares identified separately as treasury shares. The fair value at the date when the grant is made is determined using an appropriate valuation model. That fair value is expensed over the period in which the performance and/or service conditions are fulfilled with a corresponding increase in share-based payment reserve in equity. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the *Consolidated Statement of Comprehensive Income* represents the movement in cumulative expense recognised between the beginning and end of that period.

In respect of shares forfeited, no further amounts are expensed. The cumulative amounts relating to non- market based measures expensed to the date of forfeiture are reversed.

There is no non-recourse financing provided to executives in relation to any share-based payments.

Notes to the Consolidated Financial Statements

29. AUDITOR'S REMUNERATION

	2016 $	2015 $
Ernst & Young		
Audit and assurance services		
– Audit and review of the financial reports of the Group	282,014	264,288
– Share of audit and review costs of the financial reports of the Group's joint ventures	2,624	–
Non-assurance services	–	128,190
Total auditor's remuneration	**284,638**	**392,478**

30. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year (adjusted for treasury shares) and the weighted average number of ordinary shares, if any, that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2016 $'000	2015 $'000
Profit attributable to ordinary equity holders of the parent	40,912	34,385

	2016 Number	2015 Number
Weighted average number of ordinary shares	384,423,851	384,423,851
Treasury shares	(2,338,154)	(3,502,401)
Weighted average number of ordinary shares for EPS	382,085,697	380,921,450

Notes to the Consolidated Financial Statements

31. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2016 $'000	2015 $'000
Balance Sheet		
Current assets	52,745	51,839
Total assets	216,031	215,125
Current liabilities	6	6
Total liabilities	6	6
Shareholders' equity		
Contributed equity	160,436	160,436
Reserves		
Share-based payment reserve	2,189	1,283
Retained earnings	53,400	53,400
Total equity	**216,025**	**215,119**
Profit for the year	**–**	**–**
Total comprehensive income	**–**	**–**

(b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any financial guarantees other than those mentioned in notes 12(a), 12(c) 21(c) and 33.

(c) Contingent liabilities of the Parent Entity

Please refer to note 33 for details of the Parent Entity's contingent liabilities.

32. COMMITMENTS

Operating lease commitments – Group as lessee

Operating leases include property, display homes, computer equipment leases and leases for motor vehicles provided under novated leases. Certain property leases include inflation escalation and market review clauses. No renewal or purchase options exist in relation to operating leases, and no operating leases contain restrictions on financing or other leasing activities.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016 $'000	2015 $'000
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	2,080	1,867
After one year, but not more than five years	2,382	691
Total operating leases	**4,462**	**2,558**
Represented by:		
Non-cancellable operating leases	4,210	2,268
Cancellable operating leases	252	290
Total operating leases	**4,462**	**2,558**

Notes to the Consolidated Financial Statements

33. CONTINGENCIES

Unsecured

Cross guarantees

The Parent Entity has entered into deeds of cross guarantee in respect of the debts of certain of its controlled entities as described in note 21(c).

Contract performance bond facilities

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to the Contract performance bond facilities. Details of these entities are set out in note 21. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 30 June 2016 amounted to $22,239,000 (2015: $21,134,000). No liability is expected to arise.

Legal issues

From time to time a controlled entity defends actions served on it in respect of rectification of building faults and other issues. It is not practicable to estimate the amount, if any, which the entity could be liable for in this respect. The Directors anticipate that the resolution of any such matters currently outstanding will not have a material effect on the Group's results.

Secured

Banking facilities

The Parent Entity has entered into a cross deed of covenant with various controlled entities to guarantee the obligations of those entities in relation to the banking facilities. Details of these entities are set out in note 21.

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group bankers in the normal course of business to unrelated parties, at 30 June 2016, amounted to $8,724,000 (2015: $6,977,000). No 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 2016, amounted to $5,593,000 (2015: $2,801,000). No liability is expected to arise.

34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 30 June 2016, the Group has extended its Club Borrowing Facility expiry date from 30 September 2017 to 30 September 2018.

No other matter or circumstance has arisen since 30 June 2016 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.

35. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The new and amended standards adopted by the Group for the year ended 30 June 2016 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact on future periods.

Certain new accounting standards have been published that are not mandatory for the year ended 30 June 2016 and have not been adopted early by the Group. The Group's assessment of the impact of these new standards is set out below:

AASB 9 Financial Instruments (effective 1 January 2018 / applicable for the Group 1 July 2018 with early adoption permitted)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Group does not expect a material impact to the Group's accounting for financial instruments.

AASB 15 Revenue from Contracts with Customers: (effective 1 January 2018 / applicable for the Group 1 July 2018 with early adoption permitted)

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is unlikely to have a material impact on land and built form revenue as the performance obligation is delivering the completed product. AVJennings is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

The Group has not yet decided when to adopt AASB 15.

AASB 16 Leases: (effective 1 January 2019 / applicable for the Group 1 July 2019 with early adoption permitted if AASB 15 is also adopted)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will predominantly affect lessees, bringing all major leases on balance sheet. AVJennings is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

The Group has not yet decided when to adopt AASB 16.

Notes to the Consolidated Financial Statements

36. OTHER ACCOUNTING POLICIES

Significant accounting policies relating to particular items are set out in the relevant notes. Other significant accounting policies adopted in the preparation of the financial report are set out below.

a) Basis of consolidation

The *Consolidated Financial Statements* comprise the financial statements of AVJennings Limited and its subsidiaries as at 30 June 2016. Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

The financial statements of subsidiaries are prepared for the same period as the Parent, adopting consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows are fully eliminated in preparing the consolidated financial statements.

The AVJ Deferred Employee Share Plan Trust was formed to administer the Group's employee share scheme. This Trust is consolidated, as the substance of the relationship is that the Trust is controlled by the Group. Shares held by the Trust are disclosed as treasury shares and deducted from contributed equity.

b) Business combinations

Business combinations are accounted for using the acquisition method. This involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred.

c) Leases

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. The Group did not have any finance leases at the year end.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the *Consolidated Statement of Financial Position* based on their nature.

d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or as part of the cost of acquisition of the asset or the expense item as applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Consolidated Statement of Financial Position*. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the *Consolidated Statement of Cash Flows* on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

e) Foreign currency translation

(i) Functional and presentation currency

The Group's functional and presentation currency is Australian Dollars.

(ii) Translation of Group Companies' functional currency to presentation currency

The results and financial positions of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each *Statement of Financial Position* presented are translated at the closing rate at the date of that *Statement of Financial Position*;
- income and expenses for each *Statement of Comprehensive Income* are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Directors' Declaration

In accordance with a resolution of the Directors of AVJennings Limited, we state that:

1) In the opinion of the Directors:

   i) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including;

      a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

      b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;

   ii) the Consolidated Financial Statements and Notes also comply with International Financial Reporting Standards as disclosed in note 25; and

   iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

3) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Simon Cheong
Director

28 September 2016

Peter Summers
Director

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Sydney NSW 2000 Australia
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Building a better working world

Independent auditor's report to the shareholders of AVJennings Limited

Report on the financial report

We have audited the accompanying financial report of AVJennings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 25, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of *Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of AVJennings Limited is in accordance with the *Corporations Act 2001*, including:
   - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001* ; and

b. the financial report also complies with International *Financial Reporting Standards* as disclosed in Note 25.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 22 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney

28 September 2016

Shareholder Information

As at 21 September 2016

1. NUMBER OF SHAREHOLDERS AND DISTRIBUTION OF EQUITY SECURITIES

	Australian Securities Exchange	Singapore Exchange	Total
Range of Holdings of Ordinary Shares			
1 – 1,000	597	587	1,184
1,001 – 5,000	840	1,601	2,441
5,001 – 10,000	343	500	843
10,001 – 100,000	573	457	1,030
100,001 – and over	110	32	142
Total number of holders	**2,463**	**3,177**	**5,640**
Number of holders of less than a marketable parcel	**387**	**283**	**670**

2. SUBSTANTIAL SHAREHOLDERS

As disclosed by latest notices received by the Company:

Name	Ordinary Shares	%
SC Global Developments Pte Ltd	192,318,030	50.03
IOOF Holdings Limited	43,897,871	11.42

Shareholder Information

As at 21 September 2016

3. TWENTY LARGEST SHAREHOLDERS ON THE AUSTRALIAN REGISTER

Name	**Ordinary Shares**	**%**
The Central Depository (Pte) Ltd	224,606,708	58.43
JP Morgan Nominees Australia Ltd	17,141,352	4.46
HSBC Custody Nominees (Australia) Ltd	15,797,219	4.11
Citicorp Nominees Pty Ltd	12,203,201	3.17
BNP Paribas Nominees Pty Ltd <DRP>	10,112,765	2.63
National Nominees Ltd	9,098,546	2.37
John E Gill Trading Pty Ltd	5,648,712	1.47
John E Gill Operations Pty Ltd	5,459,927	1.42
Citicorp Nominees Pty Limited <Colonial First State Inv A/c>	4,986,022	1.30
Pacific Custodians Pty Ltd <AVJennings DESP Trust>	4,927,433	1.28
Gillcorp Pty Limited	4,738,416	1.23
HSBC Custody Nominees (Australia) Ltd <NT Comnwlth Super Corp>	2,917,753	0.76
Luton Pty Ltd	2,700,000	0.70
Horrie Pty Ltd	2,670,000	0.69
Brazil Farming Pty Ltd	2,600,000	0.68
HSBC Custody Nominees (Australia) Ltd - A/c 3	1,647,210	0.43
Gillcorp Pty Limited	1,475,123	0.38
IQ Rental & Finance Pty Ltd <Watts Family A/c>	1,290,000	0.34
Jilliby Pty Ltd	1,250,000	0.33
D R M Gill & J M Gill (Gill Super Fund A/c)	1,242,832	0.32
Total	**332,513,219**	**86.50**

Shareholder Information

As at 21 September 2016

4. TWENTY LARGEST SHAREHOLDERS ON THE SINGAPORE REGISTER

Name	Ordinary Shares	%
UOB Nominees (2006) Pte Ltd	179,235,872	46.62
United Overseas Bank Nominees Pte Ltd	12,003,929	3.12
Trimount Pte Ltd	1,659,940	0.43
Oei Hong Leong Foundation Pte Ltd	1,462,112	0.38
DBS Nominees Pte Ltd	1,366,246	0.36
UOB Kay Hian Pte Ltd	1,283,345	0.33
Lim Chin Tiong	1,158,220	0.30
Tsang Sze Hang	837,396	0.22
Rowland Wong Kwok Ho	748,833	0.19
Vesmith Investments Pte Ltd	634,876	0.17
OCBC Nominees Singapore Pte Ltd	605,517	0.16
Pansbury Investments Pte Ltd	496,160	0.13
Raffles Nominees (Pte) Ltd	485,932	0.13
Hexacon Construction Pte Ltd	368,480	0.10
Citibank Nominees Singapore Pte Ltd	349,364	0.09
Chng Bee Suan	322,320	0.08
Teo Chiang Long	250,648	0.07
HSBC (Singapore) Nominees Pte Ltd	225,953	0.06
Wee Kim Choo @ Elizabeth Sam	209,349	0.05
Lim Kong Wee	200,974	0.05
Total	**203,905,466**	**53.04**

Percentages are calculated on the total number of shares on issue.

5. VOTING RIGHTS

Ordinary Shareholder

On a show of hands, every member present in person or by representative, proxy or attorney shall have one vote, and on a poll each fully paid share shall have one vote.

6. TOTAL NUMBER OF SHARES

The total number of shares on issue and listed on the Australian Securities Exchange is 384,423,851.

Company Particulars

DIRECTORS

Mr Simon Cheong
Mr Jerome Rowley
Mrs Elizabeth Sam
Mr Bobby Chin
Mr Lai Teck Poh
Mr Bruce Hayman
Mr David Tsang
Mr Peter Summers

COMPANY SECRETARY

Mr Carl Thompson

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 4, 108 Power Street
Hawthorn Vic 3122
Telephone +61 3 8888 4800

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000

BANKERS

Commonwealth Bank of Australia Ltd (Bankwest Division)
DBS Bank
HSBC Bank Australia Ltd
United Overseas Bank Ltd

STOCK EXCHANGE LISTINGS

Australia

The Company is listed on:
The Australian Securities Exchange
Level 4, 525 Collins Street
Melbourne Vic 3000

Singapore

The Company's shares are also quoted and traded on:
The Singapore Exchange
11 North Buona Vista Drive #06-07
The Metropolis Tower 2
Singapore 138589
through SGX Globalquote (formerly known as the Central Limit Order Book System (CLOB)).

SHARE REGISTRY

Australia

Link Market Services Ltd
Tower 4
727 Collins Street, Docklands Vic 3008
Telephone: +61 1300 554 474

Singapore

The Central Depository (Pte) Ltd
11 North Buona Vista Drive #06-07
The Metropolis Tower 2
Singapore 138589
Telephone +65 6535 7511

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at:
Westin Room IV
The Westin Melbourne
205 Collins Street
Melbourne Vic 3000.
Friday, 18 November 2016 at 10.00 a.m.

DIVIDENDS

Dividends paid in the year under review:
Final Dividend of $0.03 for FY15 paid on 23 September 2015
Interim Dividend of $0.015 for FY16 paid on 15 April 2016

AVJennings®