Housing matters. Community matters.

Annual Report 2017 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 2017 Annual Report.

Our Company is entering one of the most exciting periods in its 85 year history. The Board envisions that recent decisions by the Board and Management will set the Company up for sustainable growth in the coming years.

The Company has delivered considerable growth in both revenue and profits since FY13. This was achieved whilst maintaining a sound balance sheet and a landbank of around 10,000 lots. Gearing continues at a conservative level of approximately 23%.

In FY14, profit before tax was up 216%, in FY15, it was up 78.3% and for FY16 it was up 22%. This year, our Company reported profit before tax at $51.0 million, in line with market expectation though lower than the prior year $58.8 million. This strong performance has enabled us to declare a final dividend of 3.5 cents, bringing total dividends declared for the year to 5.0 cents per share.

Entering the financial year just ended, we knew it would be a year of considerable activity and momentum, driven by a number of new projects that were about to commence or reach new milestones. Two of these, Waterline Place at Williamstown and Lyndarum North at Wollert, both in Victoria, are amongst the largest projects of their type the Company has ever undertaken. Both will provide excellent opportunities for the years to come, though the benefits to FY17 reported results were limited due to timing aspects.

During the calendar year, the Company continued with its active acquisition strategy which included development sites in Kogarah, Sydney, Rochedale, Brisbane and also taking up a 50% joint venture in 'Riverton', Jimboomba, Queensland, yielding a total of 1,300 land lots and apartments approximately.

We remain confident conditions will remain positive for the foreseeable future. This confidence is based on both internal factors specific to the Company and external market fundamentals including population growth, a low interest rate and stable employment environment.

AVJennings' 85-year brand is based upon building great but affordable housing and communities. This has allowed us to attract, retain and develop the highest calibre people who have the same values for which we are known (value, integrity and reliability). The above factors will continue to underpin and support the future growth of the Company.

My fellow Directors and I acknowledge and appreciate the work of our highly motivated staff and thank them for their efforts and achievements. This could only be possible under the leadership of our CEO, Peter Summers. As Chairman, I would also like to thank my fellow Directors for their continued guidance and support. They have balanced oversight and guidance in the interests of all stakeholders and I am grateful for the commitment of all of the Directors who served the Company with distinction. I also want to take this opportunity to introduce our newest Board member, Mr Boon Leong Tan who brings

valuable commercial, industry and financial expertise to the Company. His joining couldn't be more timely especially in the current dynamic market environment. Additionally, we thank Mr David Tsang who left us during the year for his service and contributions to the Company.

Last year, we welcomed many new shareholders and I am delighted to be able to do the same this year.

AVJennings has been an integral part of Australian housing for 85 years and as the current custodians of this great Company, with much pride and pleasure, we will continue to strengthen the platform and build on strategies and initiatives to take the Company to greater heights. Thank you again for your continued support.

Simon Cheong
Chairman

FY17 Highlights

STRENGTHENING THE BUSINESS

Solid financial outcomes and shareholder returns considering the timing of new projects and planned changes to our production mix

- Revenue $401.6 million (-4.8%)
- Profit before Tax $51 million (-13.2%)
- Earnings per share 9.3 cents (-13.1%)
- Maintaining total dividends of 5 cents fully franked (1.5 cents interim and 3.5 cents final)
- Debt gearing at 23% of total assets remains comfortably in the middle of the targeted 15% to 35% range
- Increase in net tangible assets per share to 99 cents (+4.3%)

BUILDING MOMENTUM

- Contract signings increased to 1,843 (+0.7%)
- WIP lots 2,161 (+28.6%)

STRONGER OUTLOOK

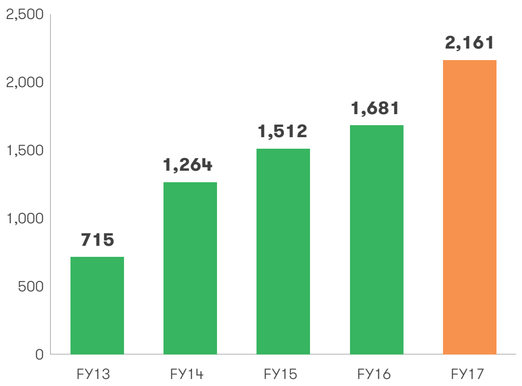
- FY18 contract signings expected to be within the range of 1,900 to 2,100 lots
- 9 new projects commencing across calendar year 2017
- Positive earnings momentum expected

	FY17	FY16	% change	FY15	FY14
Revenue	**$401.6m**	$421.9m	(4.8%)	$317.9m	$250.6m
Statutory Profit before Tax	**$51.0m**	$58.8m	(13.2%)	$48.2m	$27.0m
Statutory Profit after Tax	**$35.7m**	$40.9m	(12.7%)	$34.4m	$18.8m
Gross Margins	**24.0%**	25.2%	(1.2pp)	26.8%	21.9%
Inventory Provision Write Back (After tax)	**$3.5m**	$2.6m	+38%	$2.6m	$3.6m
Net tangible assets (NTA)	**$378.2m**	$361.1m	+4.7%	$334.5m	$313.0m
NTA per share	**$0.99**	$0.95	+4.3%	$0.88	$0.81
EPS (cents per share)	**9.3**	10.7	(13.1%)	9	4.9
Dividend fully franked (CPS)	**5**	5	–	4	2

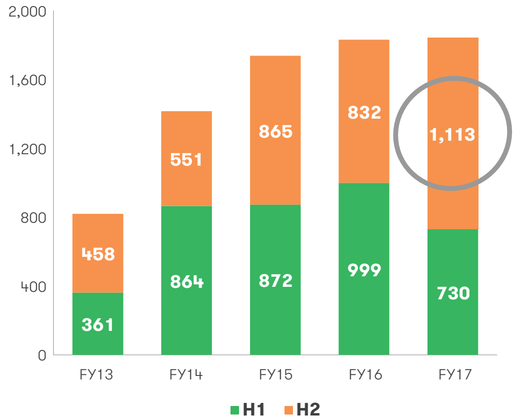
FY17 Highlights

Momentum continues

Work in progress (lots)

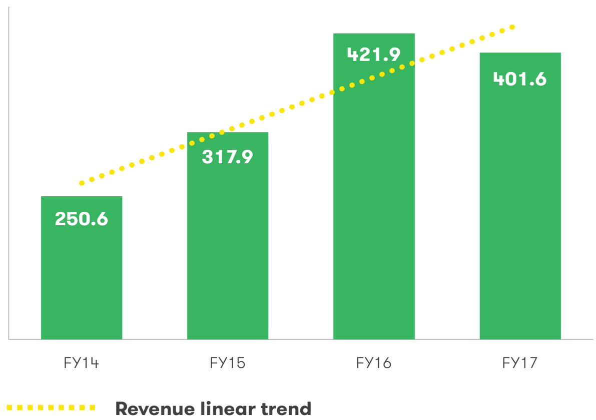


Contract signings (lots)

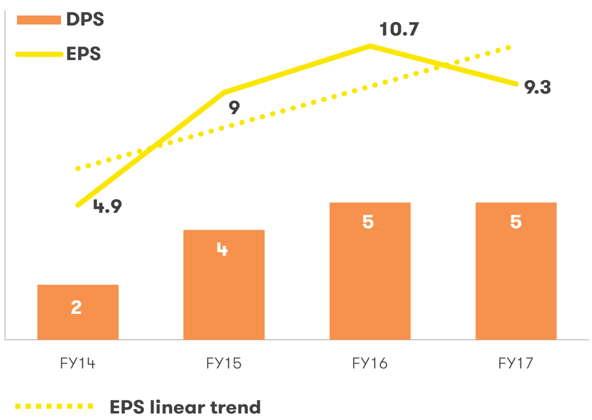


A proven track record

Revenue ($M)



Earnings and dividend growth (CPS)



Chief Executive Officer's Report

Set out in the Chairman's Report, the Review of Operations in the Directors' Report and elsewhere in this Annual Report is considerable detail. This detail significantly relates to the 2017 financial year results but it also covers some issues and opportunities, both in that year and in previous years. It also talks to the future in terms of market conditions and how we believe we are placed relative to those conditions. I believe this information gives the readers of this Annual Report a great understanding of the overall picture. So, my intention is not to repeat that information here, other than to say I agree with our Chairman's confidence in the future of AVJennings Limited and I too am proud of the results we have achieved.

Residential property is a unique business to operate in. Our "factories" are outdoors and subject to the elements. These "factories" have a finite life and we are constantly searching for new projects to grow the business and replace those that are completing. These opportunities can't be found in a shop or acquired online. They are sourced through devoting capable resources to this vital part of the business. The supply side is significantly influenced by government policies impacting on availability of land, the timing of provision of relevant infrastructure and costs to develop inventory, especially in relation to tax imposts on property by all levels of government.

On the demand side, cycles do occur as fundamentals around population growth, job creation, interest rates and overall consumer confidence impact on the level of demand both short and long term.

All this might sound too hard or too risky. But that would ignore or discount the one major positive about residential property – housing is vital to not only a vibrant economy but to everyone. So whilst there are challenges operating within residential property development, there are enormous rewards as well. Those rewards are both financial and satisfying.

But to make the most of this you need to be passionate about what you do, you need to be strategic and disciplined and you need to ensure you are personally and organisationally resilient.

So whilst I encourage you to read all of the information in this Annual Report, I would ask you to do so against this background.

It all starts with our passion that housing matters and community matters to all. That is supported by our values and culture and our desire to be the best we can be. It is documented through our strategies and is executed through the commitment to our vision, adherence to strategy and through our skilled staff.

This is all done with a sense of legacy. This year we turned 85! That is an enormous legacy and one to be proud and respectful of. As well as feeling a responsibility to that history, we also know that our actions today as custodians will impact the future of the Company, its future employees and customers as well as those of key partners.

In writing this Chief Executive Officer's Report for the Annual Report, I am proud to be doing so as a CEO of a Company which I believe is committed to our vision of why we exist. More importantly, I am proud to do so on behalf of a group of employees who are talented and passionate about what they do.

To my Chairman, Simon Cheong, and all the Directors who have provided support and guidance during the year, may I offer my thanks. To my Executive Team, your courage to lead has been vital to what we have achieved to date and will be just as vital to our future. And to all the wonderful AVJennings staff thank you for the belief you have shown and the efforts you have made. To our shareholders and other key business partners I thank you for your continued support, without which we cannot achieve our goals. And finally to all our very valued customers thank you for handing us your trust in one of the most important decisions you will make in life.

Peter Summers
Chief Executive Officer

Committed to Creating & Supporting Communities

As we celebrate our 85th year as a developer of communities, we are proud of the inclusive, diverse business AVJennings has grown to become. Community of course means all of us, regardless of gender, ability, age, sexuality and culture.

That's just one reason we're excited to continue our support for women's sport by joining the netball community and becoming a proud sponsor of the popular Queensland Firebirds. We are also delighted to announce that netball legend and current Firebirds player Laura Geitz has joined our team as an AVJennings ambassador alongside Steve Waugh, AO.

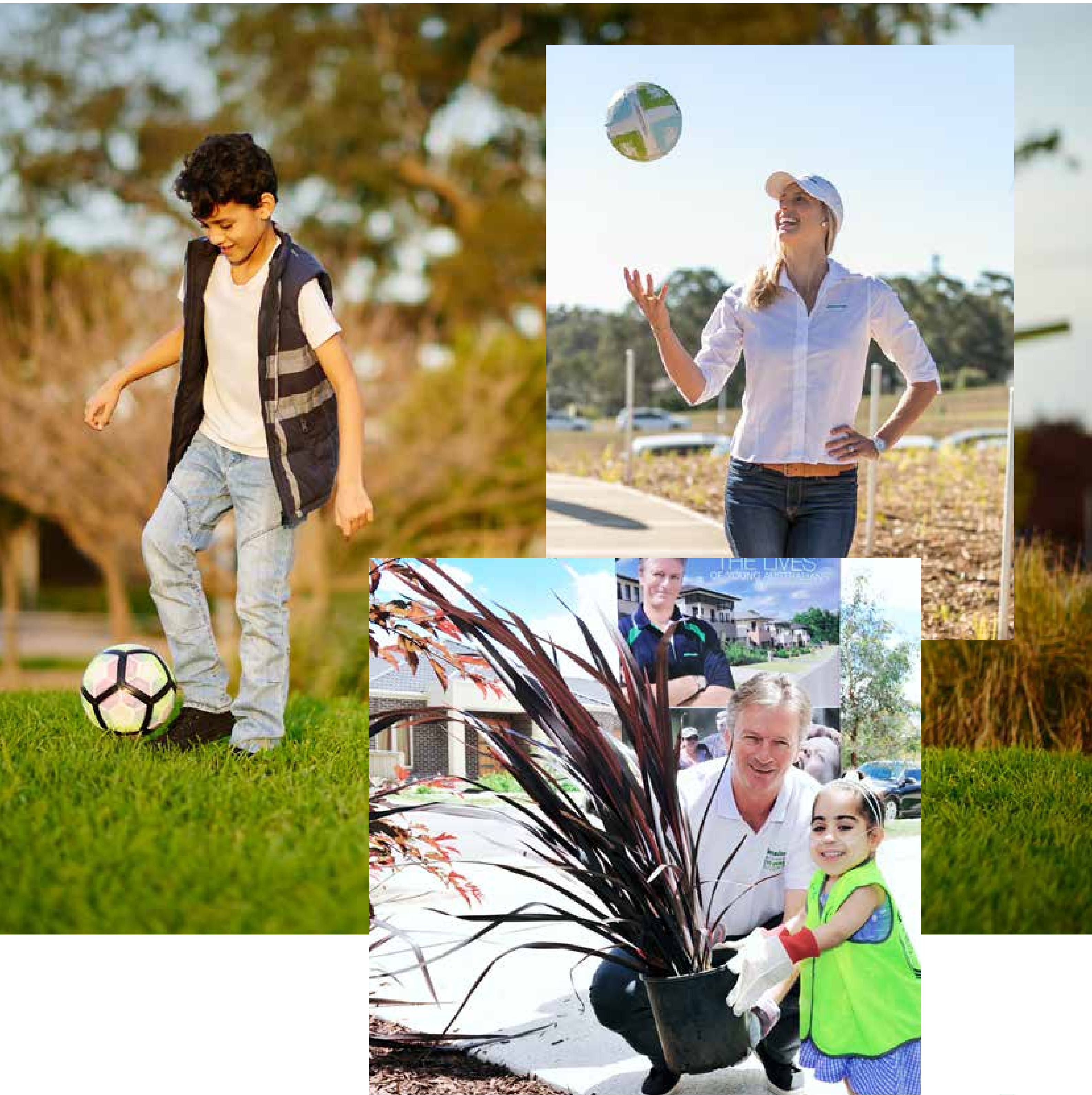
The Firebirds join other celebrated sporting teams in the AVJennings family, including the St Kilda Football Club in the AFL and the Melbourne Boomers in the WNBL. One aspect of our partnership with the Melbourne Boomers we are especially proud of is our sponsorship of their Volunteer award. So many communities around Australia and New Zealand rely on volunteers and we are delighted to play a small part in ensuring generous and caring people are recognised.

We also like to lend a hand to people in our community who really need it. AVJennings is a major partner of the Steve Waugh Foundation, which supports children and young people with diseases so rare they do not qualify for help from anyone else.

These associations are important to us because they help to show the kind of company we are; a company that is genuinely committed to supporting and growing active and healthy communities.

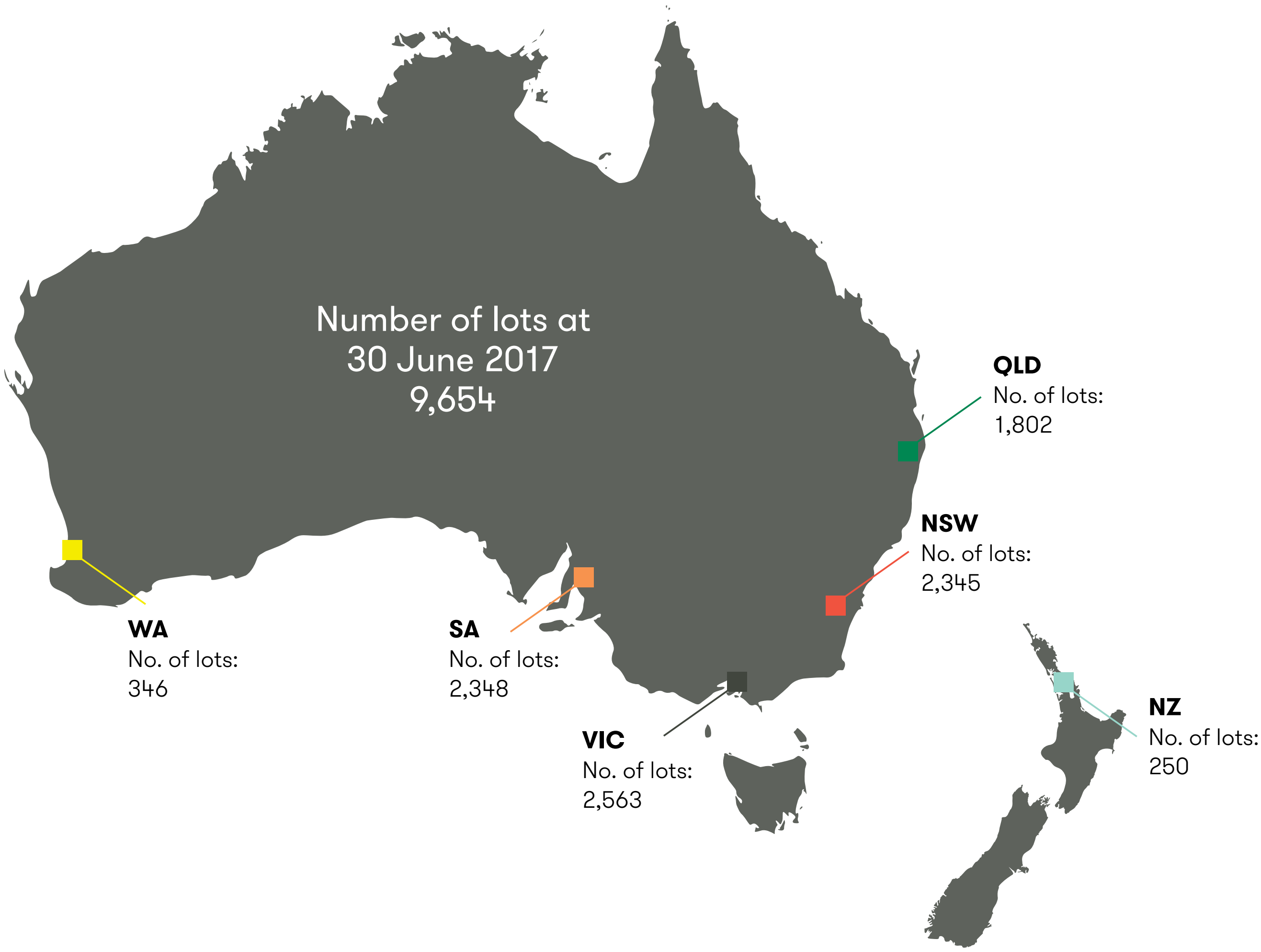
As important as these partnerships with these organisations are, it is what we do everyday in terms of community that matters. It is why we have appointed a dedicated Community Relations manager; it is why every project has separate community plans. Because we know that "Housing Matters, Community Matters" to all. It is why at our very heart is our purpose to create great neighbourhoods and places to live.

Proud sponsors of

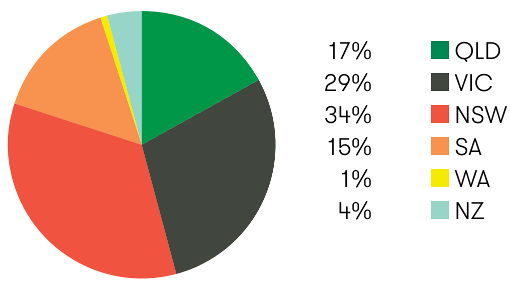


Property Portfolio

AVJennings continues to be one of the most recognised residential property development companies in Australia



Number of Lots by NFE



Project Pipeline

As at 30 June 2017

	Project Name	Remaining # of Lots	Pre	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Post
QUEENSLAND	Halpine Lake, Mango Hill	14							
	Creekwood, Caloundra	129							
	Glenrowan, Mackay	177							
	Essington Rise, Leichhardt	43							
	Villaggio, Richlands	21							
	Bethania	106							
	Big Sky, Coomera	5							
	Bridgeman Downs	63							
	Kenmore	32							
	Bridgeman Downs 2	16							
	Jimboomba	1,196							
NEW SOUTH WALES	Argyle, Elderslie	196							
	Magnolia, Hamlyn Terrace	207							
	Evergreen, Spring Farm (South)	213							
	Evergreen, Spring Farm (East)	540							
	Ravensworth Heights, Goulburn	26							
	Seacrest, Sandy Beach	123							
	Arcadian Hills, Cobbitty Stages 1–8	174							
	Arcadian Hills, Cobbitty Stages 9&10	119							
	Cobbitty Road, Cobbitty	57							
	Boundary Road, Schofields	11							
	Warnervale	595							
	Evergreen, Spring Farm PDA	79							
VICTORIA	Lyndarum, Wollert	51							
	Lyndarum North, Wollert JV (Options)	1,820							
	Arlington Rise, Portarlington	136							
	Hazelcroft, Doreen	109							
	Waterline, Williamstown	447							
SOUTH AUSTRALIA	Pathways, Murray Bridge	53							
	River Breeze, Goolwa North	80							
	St Clair	527							
	Eyre at Penfield	1,678							
NZ	Hobsonville Point, Buckley B	250							
WESTERN AUSTRALIA	Indigo China Green, Subiaco	124							
	Viridian China Green, Subiaco	18							
	The Heights Kardinya	107							
	Viveash	58							
	Parkview, Ferndale	39							
TOTAL NO. OF REMAINING LOTS		**9,654**							

- NSW includes 5 remnant lots and SA 10 remnant lots.

Queensland

Images: Creekwood at Caloundra

New South Wales

Images: Argyle at Elderslie

Victoria

Artist Impression: Lysander Townhomes, Waterline Place, Williamstown

South Australia

Artist Impression: Swan Townhomes, St Clair

Western Australia

Artist Impression: The Heights, Kardinya

New Zealand

Image: Hobsonville Point, Ferry Wharf

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 2017. 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 unless otherwise stated.

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 (resigned 9 June 2017)
BL Tan	Non-Executive Director (appointed 9 June 2017)

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 $35.7 million (2016: $40.9 million).

DIVIDENDS

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

	2017 $'000	**2016 $'000**
Cash dividends declared and paid		
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 cent per share, paid 15 April 2015. Fully franked @ 30% tax	–	5,767
2016 final dividend of 3.5 cents per share, paid 23 September 2016. Fully franked @ 30% tax	13,454	–
2017 interim dividend of 1.5 cents per share, paid 7 April 2017. Fully franked @ 30% tax	5,767	–
Total cash dividends declared and paid	**19,221**	**17,299**

In addition to the above, subsequent to the end of the financial year, the Directors have declared a fully franked final dividend of 3.5 cents per share to be paid on 19 September 2017 (2016: 3.5 cents). The Dividend Reinvestment Plan remains suspended.

Directors' Report

OPERATING AND FINANCIAL REVIEW

Summary

In recent years, the Company has seen its operations expand in many key areas. Most directly, an increase in work in progress levels saw profits rise substantially. In FY15 profit was up 78.3% and in FY16 it was up 22.0%.

During the 2017 financial year, the Company continued to increase activity levels, partly in response to continuing sound market conditions but also in reflection of changing dynamics within the business.

Essentially, the business entered a phase where there were two significant influences on its operations: firstly, the increased momentum generated in prior years that underpinned profit growth from existing or older projects reached maturity, and secondly the focus shifted to the next stage of the Company's development, which involved the commencement of a number of new projects, many of significant scale.

While similar levels of activity were generated in FY17 by those older projects their contribution will progressively diminish, although this will be more than offset as new projects gradually reach the profit recognition stage. The nature of residential land development is that new projects take time to ramp up. Additionally, some of these projects necessarily have a greater built form component that will ultimately generate greater profitability due to the higher value-capture from the work completed, albeit it takes longer to achieve.

Pleasingly, the business made substantial progress in this second phase of its evolution while at the same time generating good results for FY17. Underlying contract signings were approximately the same as last year. As explained further below, bad weather on the eastern seaboard during the months of March and April did create some additional delays in getting contracts to profit recognition stage. This affected around 98 contracts which, had they settled in FY17, would have meant the result for FY17 would have been similar to that for the previous year.

This, coupled with the value creation that occurred during the year that has not yet flowed through to profit have enabled the Directors to decide to declare a final dividend in respect of FY17 at the same level as the prior year.

At a wider level, the Company continues to search for improvement in all aspects of its business, investing in product, people and brand and reviewing management structures and costs. We also continue to monitor emerging issues, trends and opportunities, both short and long term.

Financial Results

The Company recorded profit before tax of $51.0 million for the year ended 30 June 2017, down 13.2% on the previous year (30 June 2016: $58.8 million) and profit after tax of $35.7 million (30 June 2016: $40.9 million).

Good contract signings in the second half of FY2017, substantial post balance date cash inflows from the collection of receivables and confidence in the outlook for FY2018 enabled the Directors to declare that a fully franked final dividend of 3.5 cents per share be paid in September 2017, taking total dividends declared for FY2017 to 5.0 cents per share fully franked. Profit before tax was 2.7% below consensus earnings guidance of $52.4 million.

Contract signings of 1,843 lots were on par with last year (1,832 lots), while settlements were moderately lower at 1,509 lots (30 June 2016: 1,596 lots). Full year revenue decreased 4.8% to $401.6 million (30 June 2016: $421.9 million) due largely to production and lot titling delays in part occasioned by protracted adverse weather events that affected the eastern seaboard of Australia in the second half. Approximately 98 lot equivalent settlements were delayed across the June balance date into 1H-FY18.

Business Overview

Maturing levels of production and sales together with good gross margins in New South Wales, Queensland and New Zealand contributed to a good result for the year. Active project and product mix changes continued to allow the Company to capitalise on the differing strengths of each location, although revenue recognition in New South Wales and Queensland was held back by adverse weather-driven production and titling delays. The impact of this is most evident in a year-on-year comparison of settlement lots statistics, which should be contrasted with the leading indicator contract signing statistic in each period. The overall result was also constrained by the South Australian business, which performed below expectations due to slow sales and margin erosion at the St Clair project. Corrective action including further streamlining of overheads was taken and management believes that the South Australian business's performance has bottomed, subject of course to the Adelaide market not declining materially from its current subdued level.

Particularly good contributions were made by the 'Arcadian Hills', 'Evergreen' and 'Argyle' (land only and built form) projects in Sydney and 'Magnolia' (land only) on the Central Coast of New South Wales. 'Parkside' (land only) in Brisbane and 'Big Sky' (land only and built form) in Coomera performed well for Queensland. The 'Rosny' apartments at 'Waterline Place' Williamstown demonstrated the ongoing strength of the boutique, middle ring, medium density market in Melbourne Victoria, while the Hobsonville Auckland project continued its excellent performance in line with expectations.

Work in progress was up 28.6% year-on-year to 2,161 lots (30 June 2016: 1,681 lots). The level of completed unsold stock remained insignificant at only 6.1% by value of total lots under control (30 June 2016: 2.8%).

Controlled land inventory fell moderately to 9,654 lots (30 June 2016: 10,048 lots) with strong sales outstripping acquisitions consummated during the year, which included the purchase of a 50% share in the 'Riverton', Jimboomba Queensland joint venture (approximately – 1,200 lots). Post-balance date the Company announced the acquisition of development sites in Kogarah, Sydney and Rochedale, Brisbane that are anticipated to yield 67 apartments and 81 land only lots and townhouses, respectively. These acquisitions further diversify the Company's portfolio, with additional purchases expected to be announced in the second half of calendar 2017.

Directors' Report

OPERATING AND FINANCIAL REVIEW (continued)

Business Overview (continued)

Gearing remained low with net debt/total assets of only 23.0% (30 June 2016: 17.9%), given the component of debt committed to work in progress, which will turn to cash quickly once stock is completed. The Company extended the termination date of its core $250 million 'Club' banking facility by a further 12 months from 30 September 2018 to 30 September 2019.

Outlook

Over the past four years the Company has generated solid growth in revenue and profitability and improved the quality of its inventory, management and production processes, enabling it to create substantial shareholder value through payment of fully franked dividends, share price and NTA growth. Fiscal 2017-18 is something of a transition period as management focuses on closing out and optimising the performance of a number of older projects, while simultaneously working to ramp up exciting new, higher margin projects that will help underpin the Company's performance for years to come.

This activity occurs against the backdrop of strong demand drivers for residential property in the Company's key markets. Low interest rate and inflationary expectations combined with positive population growth and continuing shortages of detached and semi-detached houses and low rise apartments in Sydney, Melbourne and Auckland will continue to stoke demand from the owner-occupiers and local investors targeted by the Company.

While price growth is still occurring at some estates in these markets, it is likely to continue to be offset to a degree by competition, trade cost increases and active product mix decisions, although the moderate reduction in the Company's margins year-on-year was more heavily influenced by the adverse impact of the South Australian business in fiscal 2017.

Sydney and the Central Coast of New South Wales continue to experience strong demand driven by positive migration and inadequate dwelling supply, which is largely a function of lagging State and local government land release policy and planning decisions, together with building delivery constraints. Having said that, the Company believes that sale rates are showing signs of reducing to more sustainable levels as affordability declines further and bank credit appetite tightens.

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. The Company is actively exploring other suitable opportunities in Auckland.

Activity continues at a steady pace in Brisbane, Caloundra and Coomera in Queensland and the Company looks forward to commencing construction at its newest project 'Riverton', Jimboomba, late in calendar 2017.

The residential markets in Adelaide, South Australia and Perth, Western Australia continue to experience challenges.

The outer Melbourne residential land market remains unequivocally buoyant with the Company all but selling out the first five stages at its new 'Lyndarum North' estate. Sales in each of these stages were largely initiated through online purchaser enquiry within hours of release of the stage. Development of the first stage of Lyndarum North remains on schedule to commence prior to Christmas and some settlements are expected during 1H-2018. 'Waterline Place' Williamstown contributed strongly to the Victorian result with the bulk of apartments in the 'Rosny' building settling in the last week of June as expected. Remaining Rosny contracts together with those for the 'Ellery' townhouses are expected to settle in the second half of calendar 2017. Work on the next phase of Waterline, which showcases the 'Gem' apartment building is well underway and it should contribute positively to results in FY2019.

The Company is confident that demand for its products is sustainable given its focus on delivering traditional housing solutions at affordable prices in well-planned communities rather than participating in more volatile market segments. The Company will continue to capitalise on the opportunities presented by its diversified land portfolio by actively managing product mix to best advantage. As one of the few larger-scale integrated developer-builder groups operating in Australia, AVJennings is extremely well-placed to quickly respond to changes in local market conditions by varying the rate and type of product that it chooses to deliver.

The Board and management of AVJennings look forward with confidence. The Company expects to commence nine new projects in key locations in Sydney and the central coast of New South Wales, in Brisbane and Melbourne this calendar year, which are anticipated to contribute to progressively stronger results over the 2018-21 period. The usual bias of results towards the second half of the financial year will remain and contract signings in FY2018 are expected to range from 1,900 to 2,100 lots.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2017 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 and 14 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 requirements.

To the best of the Directors' knowledge, property development activities have and are being undertaken in compliance with these requirements.

Directors' Report

INFORMATION ON THE DIRECTORS

Simon Cheong B.Civ.Eng. MBA

Director since 20 September 2001. Mr Cheong has over 34 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. On 1 June 2017, Mr Cheong was appointed a non-executive Director of Singapore Airlines Limited. 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:

Singapore Airlines Limited from 1 June 2017.

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.

Bobby Chin CA (ICAEW) B.Acc.

Director since 18 October 2005. Mr Chin is currently the Chairman of NTUC Fairprice Co-operative Limited, NTUC Fairprice Foundation Limited and the Housing & Development Board. He is the Deputy Chairman of NTUC Enterprise Co-operative Limited and a Director of Singapore Labour Foundation. He 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.

Singapore Telecommunications Limited, since 1 May 2012.

Other Directorships:

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

Directors' Report

INFORMATION ON THE DIRECTORS (continued)

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has many years commercial management experience with over 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.

Boon Leong Tan DipUrbVal (Auckland University, NZ)

Director since 9 June 2017. Mr Tan has over 35 years of experience in real estate investment and asset management. He is a non-executive Director of SC Global Developments Pte Ltd, the Company's major shareholder.

Mr Tan last held the position of Group Chief Operating Officer cum Chief Executive Officer (Singapore Investments) in Mapletree Investments Pte Ltd, a real estate company wholly-owned by Temasek Holdings (Private) Limited. During his service in Mapletree Investments from 2003 to 2010, the company's assets under management grew from US$2 billion to US$10 billion with no equity injections from shareholders. Prior to his career in Mapletree Investments, Mr Tan served in Temasek Holdings (Private) Limited from 1995 to 2003 and held the position of Managing Director (Strategic Investments). His portfolio included Temasek Holdings' investments in real estate in Asia and Australia. His eight year career in Temasek Holdings included stints in venture capital investments in the IT sector, infrastructure investments in the energy and transportation sectors, and investments in financial services.

Mr Tan had also served in the Inland Revenue Authority of Singapore (IRAS) from 1975 to 1995 where he last held the position of Tax Director in the Superscale grade. In IRAS, he handled property taxation, real estate valuation and government land policy formulation & implementation. Resident of Singapore.

Responsibilities:

Non-Executive Director, 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 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.

1. Key Management Personnel (KMP) defined

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 (resigned 9 June 2017)
BL Tan	Non-Executive Director (appointed 9 June 2017)

(ii) *Executives*

CD Thompson	Company Secretary/ General Counsel
L Mahaffy	Chief Financial Officer
SC Orlandi	Chief Strategy Officer
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 providing a remuneration structure that attracts, retains and motivates staff, which is aligned with shareholder interests and addresses market and other stakeholder views.

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 2017.

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 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, in particular chairmanship of committees and fees paid to directors of comparable companies. NEDs do not receive any retirement benefits or performance-based remuneration.

Three NEDs, Mr S Cheong, Mrs E Sam and Mr BL Tan 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. This review has been undertaken annually over the past few years and the Australian-based NEDs have, on each occasion, concluded that the fee is appropriate in all the circumstances. 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.

Directors' Report

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 KPMs that are aligned to company, business unit and individual performance. An STI payment is awarded to the extent performance is achieved against the KPMs 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 2017 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.

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

<table>
<tr><th></th><th></th><th>CEO</th><th>Senior Executives</th><th>State General Managers</th></tr>
<tr><td colspan="5">Financial and Business Performance</td></tr>
<tr><td>Underlying Profit Performance</td><td>• Group profit before tax.
• Return on NFE (Net Funds Employed).</td><td rowspan="2">70%</td><td rowspan="2">30% to 40%</td><td rowspan="2">50%</td></tr>
<tr><td>Business Performance</td><td>• 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.</td></tr>
<tr><td colspan="5">Non-Financial</td></tr>
<tr><td>Customer and Stakeholder Performance</td><td>• Customer Advocacy.</td><td rowspan="3">30%</td><td rowspan="3">60% to 70%</td><td rowspan="3">50%</td></tr>
<tr><td>People</td><td>• Employee retention and engagement.
• Leadership.</td></tr>
<tr><td>Safety and Environment</td><td>• Providing a safe work environment.
• Minimise the impact of our activities on the environment.</td></tr>
</table>

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4 Executive Remuneration Arrangements (continued)

The Remuneration Committee determines the STI to be paid based on an assessment of the extent to which the KPMs are met. The STI payment is made within two months of the year end. 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 2017 financial year and performance against individual KPMs, the Remuneration Committee determined that Executives achieved between 85% and 100% of their target opportunity (average 92%). In making this assessment, the Committee considered the following factors:

- Performance in implementing Company strategy.
- Performance in the prevailing market.
- The financial result.
- The level of contract signings.
- The underlying health of the Company.
- Performance against individual KPMs.

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 (FY15 and subsequent years)

With effect from FY15, LTI arrangements were varied and remuneration is 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 Earnings Per Share (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%

Rights have been 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 September 2016 Grant was made in the FY17 year with LTI testing in September 2019.

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.

Directors' Report

REMUNERATION REPORT (Audited) (continued)

2.4 Executive Remuneration Arrangements (continued)

(ii) LTI (FY 14 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 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. 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 following is the status of allocations made to KMP under the LTI Plan:

<u>FY14 Grant</u>

On 25 September 2013, shares were granted to KMP. As detailed in the table on page 21, all unvested shares vested or were forfeited during the year.

The service vesting condition was that the employee must be employed by AVJennings at 30 September 2016. In the event of death, permanent disablement or retrenchment, the shares may vest to the estate at the Board's discretion. If the employee resigned (in certain circumstances) or was terminated, the unvested shares would be forfeited.

The performance vesting conditions were:

- TSR performance measured against the ASX Small Industrials Index; and
- EPS growth. AVJennings' EPS growth must meet or exceed 10% p.a. for the three financial years to 30 June 2017.

Half of the allocation was 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 was 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 was 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 was made was determined using an appropriate valuation model. That fair value was expensed over the period in which the performance and/or service conditions were 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 reflected the extent to which the vesting period had expired and the Group's best estimate of the number of equity instruments that would 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 were expensed. The cumulative amounts relating to non- market based measures expensed to the date of forfeiture were reversed.

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

REMUNERATION REPORT (Audited) (continued)

2.4 Executive Remuneration Arrangements (continued)

The following is the status of shares granted to KMP under the FY14 LTI Plan:

KMP	Year of Grant	Fair Value at grant date	Shares at beginning of the year	Forfeited	Vested	Shares at end of the year
PK Summers	FY14	$351,499	666,349	(27,586)	(638,763)	–
CD Thompson	FY14	$62,286	118,078	(4,888)	(113,190)	–
L Mahaffy	FY14	$56,947	107,957	(4,469)	(103,488)	–
SC Orlandi	FY14	$50,407	95,558	(3,956)	(91,602)	–
L Hunt	FY14	$38,493	72,973	(3,021)	(69,952)	–
Total		**$559,632**	**1,060,915**	**(43,920)**	**(1,016,995)**	**-**

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

KMP	Year of Grant	Fair Value at grant date	Rights at beginning of the year	Rights granted	Rights vested	Rights at end of the year
PK Summers	FY15	$386,528	582,414	–	(82,654)	499,760
PK Summers	FY16	$341,129	564,868	–	(78,996)	485,872
PK Summers	FY17	$372,970	–	721,355	–	721,355
CD Thompson	FY15	$51,035	73,111	–	(14,185)	58,926
CD Thompson	FY16	$59,904	94,343	–	(18,076)	76,267
CD Thompson	FY17	$65,649	–	125,641	–	125,641
L Mahaffy	FY15	$46,660	66,843	–	(12,969)	53,874
L Mahaffy	FY16	$54,769	86,256	–	(16,527)	69,729
L Mahaffy	FY17	$60,022	–	114,872	–	114,872
SC Orlandi	FY15	$41,301	59,166	–	(11,480)	47,686
SC Orlandi	FY16	$48,479	76,350	–	(14,629)	61,721
SC Orlandi	FY17	$53,129	–	101,680	–	101,680
L Hunt	FY15	$31,538	45,180	–	(8,766)	36,414
L Hunt	FY16	$37,021	58,304	–	(11,171)	47,133
L Hunt	FY17	$40,571	–	77,646	–	77,646
Total		**$1,690,705**	**1,706,835**	**1,141,194**	**(269,453)**	**2,578,576**

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 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
30 June 2017	35,717	9.31	15.0	253,164	14.11

* 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 related parties, are set out below.

	Opening Balance	Vested as Remuneration	On market Purchase	Other [1]	Closing Balance
For the year ended 30 June 2017					
Directors					
S Cheong	192,318,030	–	11,500,000	–	**203,818,030**
E Sam	209,349	–	–	–	**209,349**
PK Summers	3,119,775	800,413	–	–	**3,920,188**
RJ Rowley	252,000	–	–	–	**252,000**
D Tsang [1]	837,396	–	–	(837,396)	**-**
Executives					
CD Thompson	1,227,106	145,451	–	–	**1,372,557**
L Mahaffy	49,463	132,984	–	–	**182,447**
SC Orlandi	249,720	117,711	–	–	**367,431**
L Hunt	149,186	89,889	–	–	**239,075**
Total	**198,412,025**	**1,286,448**	**11,500,000**	**(837,396)**	**210,361,077**
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 [1]	837,396	–	–	–	**837,396**
Executives					
CD Thompson	884,448	54,158	288,500	–	**1,227,106**
L Mahaffy	19,967	29,496	–	–	**49,463**
SC Orlandi	202,483	47,237	–	–	**249,720**
L Hunt	87,082	36,071	26,033	–	**149,186**
Total	**197,626,260**	**471,232**	**314,533**	**-**	**198,412,025**

(1) Resigned 9 June 2017.

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]	**2017**	**–**	**–**	**–**
	2016	–	–	–
RJ Rowley	**2017**	**58,219**	**26,781**	**85,000**
	2016	77,626	7,374	85,000
E Sam[1]	**2017**	**–**	**–**	**–**
	2016	–	–	–
B Chin	**2017**	**60,000**	**–**	**60,000**
	2016	60,000	–	60,000
BG Hayman	**2017**	**45,662**	**4,338**	**50,000**
	2016	45,662	4,338	50,000
TP Lai	**2017**	**50,000**	**–**	**50,000**
	2016	50,000	–	50,000
D Tsang[1]	**2017**	**–**	**–**	**–**
	2016	–	–	–
BL Tan[1]	**2017**	**–**	**–**	**–**
	2016	–	–	–
Total	**2017**	**213,881**	**31,119**	**245,000**
Total	2016	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.

(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.

REMUNERATION REPORT (Audited) (continued)

8. Remuneration Tables (continued)

ii) Other KMP

(iii) Compensation of Key Management Personnel

		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 (includes Retention) $	$	%
PK Summers	**2017**	**480,902**	**21,933**	**200,840**	**70,309**	**19,616**	**27,972**	**386,513**	**1,208,085**	**35.17**
	2016	473,463	19,992	194,990	61,343	19,308	28,416	421,634	1,219,146	35.75
CD Thompson	**2017**	**374,303**	**(6,772)**	**65,653**	**-**	**19,616**	**18,776**	**65,487**	**537,063**	**17.91**
	2016	363,138	(4,444)	63,741	-	19,308	18,616	70,765	531,124	18.71
L Mahaffy	**2017**	**340,539**	**(4,364)**	**51,022**	**-**	**19,616**	**8,503**	**59,874**	**475,190**	**16.61**
	2016	330,357	(2,326)	43,708	-	19,308	7,460	63,223	461,730	16.52
SC Orlandi	**2017**	**299,177**	**6,597**	**47,819**	**-**	**19,687**	**11,608**	**52,998**	**437,886**	**16.56**
	2016	290,200	11,186	46,426	-	19,308	12,582	57,520	437,222	17.22
L Hunt	**2017**	**218,626**	**3,729**	**34,488**	**-**	**19,669**	**10,554**	**40,471**	**327,537**	**16.29**
	2016	215,844	(367)	29,544	-	19,308	10,337	43,924	318,590	16.19
Total	**2017**	**1,713,547**	**21,123**	**399,822**	**70,309**	**98,204**	**77,413**	**605,343**	**2,985,761**	
Total	2016	1,673,002	24,041	378,409	61,343	96,540	77,411	657,066	2,967,812	

(1) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions.
(2) 'Other' relates to the value of motor vehicle benefits.

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	6	6	–	–	1	1	1	1	–	–
RJ Rowley	6	6	3	3	–	–	1	1	1	1
PK Summers	6	6	–	–	–	–	–	–	–	–
E Sam	6	5	–	–	1	1	1	1	–	–
B Chin	6	5	3	3	–	–	–	–	–	–
BG Hayman	6	6	–	–	1	1	1	1	1	1
TP Lai	6	6	3	3	1	1	–	–	–	–
D Tsang[(1)]	5	5	3	3	–	–	–	–	–	–
BL Tan[(2)]	1	1	–	–	–	–	–	–	–	–

(1) Resigned 9 June 2017.
(2) Appointed 9 June 2017.

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	203,818,030
E Sam	209,349
PK Summers	3,920,188
RJ Rowley	252,000

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.

EXTENSION OF ELIGIBILITY TERM OF AUDIT PARTNER

In accordance with section 324DAA of the Act, and in accordance with a recommendation of the Audit Committee, the Directors granted approval for the Group's audit partner to play a significant role in the audit of the Group for a further two successive financial years in addition to his original five successive financial years, such that his term will expire on 30 June 2018.

The Directors noted that the Committee was satisfied that the extension would maintain the quality of the audit and would not give rise to any conflicts of interest for the following reasons:

- the existing audit effectiveness protocols within the Committee's charter are sufficient to ensure that auditor independence would not be diminished by such an extension;
- extending the engagement period of the incumbent audit partner would ensure the preservation of knowledge in circumstance where the Company is both diversifying its project mix (particularly with the introduction of the Waterline project) and bringing a large number of new projects to production; and
- the Directors of the Group have the option to reassess the auditor appointment at any time.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

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

Building a better working world

Ernst & Young
200 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

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 2017, 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 the 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
4 September 2017

Mark Conroy
Partner

NON-AUDIT SERVICES

The Group's auditor, Ernst & Young, has not provided any non-audit services during the year.

Signed in accordance with a resolution of the Directors.

Simon Cheong
Director

Peter Summers
Director

4 September 2017

Consolidated Statement of Comprehensive Income

	Note	2017 $'000	2016 $'000
Revenues	2	**401,632**	**421,884**
Cost of sales		(305,053)	(315,731)
Gross profit		**96,579**	**106,153**
Share of losses of associates and joint venture entities accounted for using the equity method	22	(28)	(583)
Change in inventory loss provisions	2	5,057	3,665
Selling and marketing expenses		(10,297)	(11,002)
Employee expenses		(24,600)	(24,797)
Other operational expenses		(7,069)	(5,479)
Management and administration expenses		(8,120)	(8,373)
Depreciation expense	2	(298)	(275)
Finance costs	2	(195)	(526)
Profit before income tax		**51,029**	**58,783**
Income tax	3	(15,312)	(17,871)
Profit after income tax		35,717	40,912
Other comprehensive income (OCI)			
Foreign currency translation		(109)	2,042
Other comprehensive (loss)/income for the year		**(109)**	**2,042**
Total comprehensive (loss)/income for the year		**35,608**	**42,954**
Profit for the year attributable to owners of the Company		**35,717**	**40,912**
Total comprehensive income for the year attributable to owners of the Company		**35,608**	**42,954**
Earnings per share (cents per share):			
Basic earnings per share	30	9.31	10.71
Diluted earnings per share	30	9.31	10.71

Consolidated Statement of Financial Position

	Note	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	15,562	43,086
Trade and other receivables	5	121,872	106,060
Inventories	6	211,073	209,939
Other assets	7	3,073	2,140
Total current assets		**351,580**	**361,225**
NON-CURRENT ASSETS			
Trade and other receivables	5	38,131	21,694
Inventories	6	308,133	343,098
Equity accounted investments	22	8,449	8,684
Available-for-sale financial asset	8	2,880	2,880
Plant and equipment	9	792	985
Intangible assets	10	2,816	2,816
Total non-current assets		**361,201**	**380,157**
Total assets		**712,781**	**741,382**
CURRENT LIABILITIES			
Trade and other payables	11	75,553	117,633
Interest-bearing loans and borrowings	12	2,607	10,057
Tax payable	3(c)	5,257	10,494
Provisions	13	5,607	6,261
Total current liabilities		**89,024**	**144,445**
NON-CURRENT LIABILITIES			
Trade and other payables	11	37,449	43,333
Interest-bearing loans and borrowings	12	177,016	165,466
Deferred tax liabilities	3(d)	27,422	23,437
Provisions	13	867	794
Total non-current liabilities		**242,754**	**233,030**
Total liabilities		**331,778**	**377,475**
Net assets		**381,003**	**363,907**
EQUITY			
Contributed equity	14	160,436	160,436
Reserves	15(a)	6,622	6,022
Retained earnings	15(c)	213,945	197,449
Total equity		**381,003**	**363,907**

Consolidated Statement of Changes in Equity

		Attributable to equity holders of AVJennings Limited				Total equity
	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	$'000
At 1 July 2015		**160,436**	**1,791**	**1,283**	**173,836**	**337,346**
Comprehensive income:						
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)
Total transactions with owners in their capacity as owners		**-**	**-**	**906**	**(17,299)**	**(16,393)**
At 30 June 2016		**160,436**	**3,833**	**2,189**	**197,449**	**363,907**
At 1 July 2016		**160,436**	**3,833**	**2,189**	**197,449**	**363,907**
Comprehensive income:						
Profit for the year		–	–	–	35,717	35,717
Other comprehensive loss for the year		–	(109)	–	–	(109)
Total comprehensive income for the year		**-**	**(109)**	**-**	**35,717**	**35,608**
Transactions with owners in their capacity as owners						
- Share-based payment expense reversed (forfeited shares)	28(a)	–	–	(110)	–	(110)
- Share-based payment expense	28(a)	–	–	819	–	819
- Dividends paid	16	–	–	–	(19,221)	(19,221)
Total transactions with owners in their capacity as owners		**-**	**-**	**709**	**(19,221)**	**(18,512)**
At 30 June 2017		**160,436**	**3,724**	**2,898**	**213,945**	**381,003**

Consolidated Statement of Cash Flows

	Note	2017 $'000	2016 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		408,600	417,922
Payments to suppliers and employees		(394,782)	(432,880)
Finance costs including interest paid	2	(10,544)	(12,566)
Income tax paid	3(c)	(16,501)	(786)
Net cash used in operating activities	17	**(13,227)**	**(28,310)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		–	2
Payments for plant and equipment	9	(119)	(735)
Interest received	2	860	526
Dividends received from joint venture entity	22	208	1,400
Net cash from investing activities		**949**	**1,193**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		230,975	454,482
Repayment of borrowings		(226,875)	(405,683)
Dividends paid	16	(19,221)	(17,299)
Net cash (used in)/from financing activities		**(15,121)**	**31,500**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(27,399)**	**4,383**
Cash and cash equivalents at beginning of year		43,086	37,812
Effects of exchange rate changes on cash and cash equivalents		(125)	891
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**15,562**	**43,086**

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 summaries the following:

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

Reportable segments

Jurisdictions:

Include activities relating to Land Development, Integrated Housing and Apartments Development.

Other:

Include numerous low value items, amongst the most significant of which is interest.

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenues														
External sales	168,028	166,750	73,230	68,912	82,541	99,042	27,768	41,246	47,883	44,253	–	–	399,450	420,203
Management fees	–	50	846	710	215	–	23	22	–	3	–	–	1,084	785
Other revenue	–	–	–	–	–	–	–	–	–	–	1,098	896	1,098	896
Total segment revenues	**168,028**	**166,800**	**74,076**	**69,622**	**82,756**	**99,042**	**27,791**	**41,268**	**47,883**	**44,256**	**1,098**	**896**	**401,632**	**421,884**
Results														
Segment results	42,397	38,593	2,229	2,787	8,051	14,163	(1,286)	4,515	9,924	13,303	2,177	1,064	63,492	74,425
Share of profits/(losses) of associates and JVs accounted for using the equity method	42	17	–	–	–	–	(7)	(5)	–	–	(63)	(595)	(28)	(583)
Change in inventory loss provisions	5,775	2,949	–	–	–	716	(718)	–	–	–	–	–	5,057	3,665
Unallocated depreciation and amortisation	–	–	–	–	–	–	–	–	–	–	–	–	(298)	(275)
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	–	–	(16,999)	(17,923)
Unallocated interest expense	–	–	–	–	–	–	–	–	–	–	–	–	(195)	(526)
Profit before income tax													51,029	58,783
Income tax													(15,312)	(17,871)
Profit after income tax													**35,717**	**40,912**

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets														
Segment assets	220,419	216,793	184,446	188,256	122,691	99,274	92,615	95,188	66,124	84,422	26,486	57,449	712,781	741,382
Total assets	**220,419**	**216,793**	**184,446**	**188,256**	**122,691**	**99,274**	**92,615**	**95,188**	**66,124**	**84,422**	**26,486**	**57,449**	**712,781**	**741,382**
Liabilities														
Segment liabilities	27,503	53,113	58,685	70,527	26,405	14,530	5,231	6,088	45,662	62,586	168,292	170,631	331,778	377,475
Total liabilities	**27,503**	**53,113**	**58,685**	**70,527**	**26,405**	**14,530**	**5,231**	**6,088**	**45,662**	**62,586**	**168,292**	**170,631**	**331,778**	**377,475**

Notes to the Consolidated Financial Statements

Section A2 Profit and loss information

2. REVENUES AND EXPENSES

Revenues

	2017 $'000	2016 $'000
Sales of land and built form	399,450	420,203
Interest received	860	526
Management fees received/receivable	1,084	785
Other	238	370
Total revenues	**401,632**	**421,884**

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.

Interest revenue

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

Management fees

Revenue is recognised upon performance 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	2017 $'000	2016 $'000
Cost of sales include:			
Amortisation of finance costs capitalised to inventories		12,898	15,454
Depreciation expense			
Leasehold improvements	9	29	8
Plant, equipment and motor vehicles	9	269	267
Total depreciation expense		**298**	**275**
Finance costs			
Bank loans and overdraft		10,544	12,566
Less: Amount capitalised to inventories		(10,349)	(12,040)
Finance costs expensed		**195**	**526**
Impairment of assets			
Net decrease in inventory loss provisions		5,057	3,665
Total net impairment reversed		**5,057**	**3,665**

For the year ended 30 June 2017, 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 South Australia.

Notes to the Consolidated Financial Statements

3. INCOME TAX

	2017 $'000	2016 $'000
(a) Income tax expense		
The major components of income tax are:		
Current income tax		
Current income tax charge	11,332	11,442
Adjustment for prior year	(7)	10
Deferred income tax		
Current year temporary differences	3,977	6,425
Adjustment for prior year	10	(6)
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**15,312**	**17,871**

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

	2017 $'000	2016 $'000
Accounting profit before income tax	**51,029**	**58,783**
Tax at Australian income tax rate of 30% (2016 – 30%)	15,309	17,635
Non-deductible share of equity accounted Joint Venture losses	8	175
Other non-deductible items	144	148
Assessable foreign jurisdiction gains	2	345
Unused tax losses recognised and utilised	–	(193)
Effect of lower tax rate in foreign jurisdictions	(154)	(243)
Adjustment for prior year	3	4
Income tax expense	**15,312**	**17,871**
Effective tax rate	**30%**	**30%**

(c) Numerical reconciliation from income tax expense to income taxes paid

	2017 $'000	2016 $'000
Income tax expense	**15,312**	**17,871**
Timing differences recognised in deferred tax	(3,987)	(6,419)
Adjustment for prior year	7	(10)
Exchange rate translation difference	(45)	(19)
Current year tax payable at year end	(5,257)	(10,494)
Prior year tax paid/(refunded) in current year	10,471	(143)
Cash taxes paid per *Consolidated Statement of Cash Flows*	**16,501**	**786**

Notes to the Consolidated Financial Statements

3. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	Opening balance $'000	Expense /(benefit) $'000	Recognised on acquisition $'000	Foreign exchange variance $'000	Closing balance $'000
Deferred income tax movement for the year ended 30 June 2017:					
Deferred tax assets					
– inventories	6,769	(2,518)	–	–	4,251
– prepayments and accruals	1,344	(180)	–	–	1,164
– provisions on employee entitlement	1,446	72	–	–	1,518
– other	288	(74)	–	–	214
Deferred tax assets	**9,847**	**(2,700)**	**–**	**–**	**7,147**
Deferred tax liabilities					
– inventories	(22,190)	339	–	–	(21,851)
– unearned revenue	(9,954)	(1,507)	–	2	(11,459)
– prepayments and accruals	(135)	(233)	–	–	(368)
– provisions on employee entitlement	(152)	152	–	–	–
– brand name	(845)	–	–	–	(845)
– other	(8)	(38)	–	–	(46)
Deferred tax liabilities	**(33,284)**	**(1,287)**	**–**	**2**	**(34,569)**
Net deferred tax liabilities	**(23,437)**	**(3,987)**	**–**	**2**	**(27,422)**
Deferred income tax movement for the year ended 30 June 2016:					
Deferred tax assets					
– inventories	9,588	(2,819)	–	–	6,769
– prepayments and accruals	909	434	–	1	1,344
– provisions on employee entitlement	1,363	82	–	1	1,446
– losses available for offsetting against future taxable income	2,506	(2,699)	193	–	–
– other	240	48	–	–	288
Deferred tax assets	**14,606**	**(4,954)**	**193**	**2**	**9,847**
Deferred tax liabilities					
– inventories	(23,371)	1,181	–	–	(22,190)
– unearned revenue	(6,639)	(3,070)	–	(245)	(9,954)
– prepayments and accruals	(80)	(55)	–	–	(135)
– provisions on employee entitlement	(423)	271	–	–	(152)
– brand name	(845)	–	–	–	(845)
– other	(23)	15	–	–	(8)
Deferred tax liabilities	**(31,381)**	**(1,658)**	–	**(245)**	**(33,284)**
Net deferred tax liabilities	**(16,775)**	**(6,612)**	**193**	**(243)**	**(23,437)**

Notes to the Consolidated Financial Statements

3. INCOME TAX (continued)

(e) Tax consolidation legislation

AVJennings Limited and its wholly owned Australian controlled entities are in a tax consolidated group.

The entities in the tax consolidated group have entered into a tax sharing agreement which limits the joint and several liabilities of the wholly owned entities in the case of a default by the head entity, AVJennings Limited.

The entities in the tax consolidated group have also entered into a tax funding agreement to fully compensate/be compensated by AVJennings Limited for current tax balances and deferred tax assets or unused tax losses and credits transferred.

(f) 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.

Section A3 Balance Sheet information

4. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank and in hand	**15,562**	**43,086**

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.

Notes to the Consolidated Financial Statements

5. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Current		
Trade receivables	113,999	102,910
Related party receivables	3,580	1,600
Funds held in trust accounts	–	657
Other receivables	4,293	893
Total current trade and other receivables	**121,872**	**106,060**
Non-current		
Trade receivables	32,583	15,063
Related party receivables	1,096	1,601
Other receivables	4,452	5,030
Total non-current trade and other receivables	**38,131**	**21,694**

(i) Accounting

Receivables are recognised at fair value less provision for impairment.

Individual receivables that are known to be uncollectible are written-off when identified. A provision for impairment is recognised when there is objective evidence that the collection of the receivable is doubtful. The provision is calculated as the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the effective interest rate.

(ii) Allowance for impairment loss

No impairment loss (2016: $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
2017	146,582	146,570	6	3	3	–
2016	117,973	117,962	6	–	5	–

Considered impaired.

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

The Group does not have any 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	2017 $'000	2016 $'000
Current			
Broadacres			
Land to be subdivided – at cost		8,980	49,237
Borrowing and holding costs capitalised	6(a)	3,894	9,873
Impairment provision		(480)	(3,133)
Total broadacres		12,394	55,977
Work-in-progress			
Land subdivided or in the course of being subdivided – at cost		61,529	61,590
Development costs capitalised		45,796	26,025
Houses and apartments under construction – at cost		19,033	22,799
Borrowing and holding costs capitalised	6(a)	15,563	11,105
Impairment provision		(1,838)	(2,390)
Total work-in-progress		140,083	119,129
Completed inventory			
Completed houses and apartments – at cost		45,980	14,742
Completed residential land lots – at cost		10,974	18,138
Borrowing and holding costs capitalised	6(a)	2,757	2,833
Impairment provision		(1,115)	(880)
Total completed inventory		58,596	34,833
Total current inventories		**211,073**	**209,939**
Non-current			
Broadacres			
Land to be subdivided – at cost		202,243	278,176
Borrowing and holding costs capitalised	6(a)	24,319	29,182
Impairment provision		(10,000)	(14,076)
Total broadacres		216,562	293,282
Work-in-progress			
Land subdivided or in the course of being subdivided – at cost		39,102	32,382
Development costs capitalised		32,629	14,757
Houses and apartments under construction – at cost		9,722	1,231
Borrowing and holding costs capitalised	6(a)	9,958	1,805
Impairment provision		–	(519)
Total work-in-progress		91,411	49,656
Completed inventory			
Completed residential land lots – at cost		178	178
Borrowing and holding costs capitalised	6(a)	11	11
Impairment provision		(29)	(29)
Total completed inventory		160	160
Total non-current inventories		**308,133**	**343,098**
Total inventories		**519,206**	**553,037**

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 6.12% (2016: 6.18%).

(b) Inventory with a carrying value of $110,034,000 (2016: $98,405,000) 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 carried at the lower of cost and net realisable value.

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.

Net realisable value is determined based on the estimated sales in the ordinary course of business less 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.

Movement in impairment provisions

	2017 $'000	2016 $'000
At beginning of year	21,027	30,216
Amounts utilised	(2,508)	(5,524)
Amounts reversed	(5,057)	(3,665)
At end of year	**13,462**	**21,027**

7. OTHER ASSETS

	2017 $'000	2016 $'000
Prepayments	2,971	2,052
Deposits	102	88
Total other current assets	**3,073**	**2,140**

Notes to the Consolidated Financial Statements

8. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2017 $'000	2016 $'000
Property Fund Units	**2,880**	**2,880**

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

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

Impairment and risk exposure

At each reporting date, the Group assesses whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events and the 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

	2017 $'000	2016 $'000
Leasehold improvements		
At cost	376	379
Less: accumulated depreciation	(286)	(259)
Total leasehold improvements	**90**	**120**
Plant and equipment		
At cost	6,711	6,631
Less: accumulated depreciation	(6,009)	(5,766)
Total plant and equipment	**702**	**865**
Total plant and equipment	**792**	**985**

(i) 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 2016	**Note**	**Leasehold improve-ments $'000**	**Plant and equipment $'000**	**Total $'000**
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**
For the year ended 30 June 2017				
Carrying amount at 1 July 2016		120	865	985
Additions		2	117	119
Disposals		(3)	(11)	(14)
Depreciation charge	2	(29)	(269)	(298)
Carrying amount at 30 June 2017		**90**	**702**	**792**

(ii) 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 and equipment	3-7 years
Leasehold improvements	3-10 years

Notes to the Consolidated Financial Statements

10. INTANGIBLE ASSETS

	2017 $'000	2016 $'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 2017, 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

	2017 $'000	2016 $'000
Current		
Secured		
Land creditors	–	4,350
Unsecured		
Land creditors	43,332	74,904
Trade creditors	9,766	14,306
Related party payables	1,179	150
Other creditors and accruals	21,276	23,923
	75,553	113,283
Total current payables	**75,553**	**117,633**
Non-Current		
Unsecured		
Land creditors	32,742	39,571
Related party payables	4,707	2,978
Other creditors and accruals	–	784
Total non-current payables	**37,449**	**43,333**

Accounting

Trade and other payables are carried at an amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid.

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 6.01% (2016: 5.65%).

Notes to the Consolidated Financial Statements

12. INTEREST-BEARING LOANS AND BORROWINGS

	2017 $'000	2016 $'000
Current		
Bank overdraft	3	–
Bank loans	2,604	10,057
Total current interest-bearing liabilities	**2,607**	**10,057**
Non-current		
Bank loans	177,016	165,466
Total non-current interest-bearing liabilities	**177,016**	**165,466**

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, interest-bearing loans and borrowings are measured at amortised cost 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 2017				
Main banking facilities	12(a)			
– bank overdraft		5,000	3	4,997
– bank loans		225,000	139,000	86,000
– performance bonds		20,000	9,931	10,069
		250,000	**148,934**	**101,066**
Project funding facilities	12(b)			
– bank loans		**92,000**	**40,620**	**51,380**
Contract performance bond facilities	12(c)			
– performance bonds		**35,000**	**26,936**	**8,064**
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**

At 30 June 2017 main banking facilities are interchangeable up to $47 million (2016: $47 million) between the bank loans and performance bonds.

During the current and prior year, there were no defaults or breaches of any covenants relating to the facilities.

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 mature on 30 September 2019. These 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 weighted average interest rate including margin on the main banking facilities at 30 June 2017 was 3.00% (2016: 3.21%).

(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 project funding facilities are to reduce to $50 million in December 2017. The outstanding amounts are expected to be repaid or refinanced prior to expiry of the facility. As at 30 June 2017, the balance outstanding on the bank loan facilities was $40,620,000 (2016: $32,280,000).

	2017 $'000	2016 $'000
The carrying amounts of the pledged assets are as follows:		
Waterline, Victoria	111,021	98,905

The weighted average interest rate including margin on the project funding loans at 30 June 2017 was 3.17% (2016: 3.40%).

(c) Contract performance bond facilities

The Group has entered into Contract performance bond facilities of $35,000,000 (2016: $35,000,000) which are subject to review annually. The facilities expire on 31 December 2017 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.

13. PROVISIONS

	2017 $'000	2016 $'000
Current		
Employee benefits	5,607	6,261
Total current provisions	**5,607**	**6,261**
Non-current		
Employee benefits	867	794
Total non-current provisions	**867**	**794**

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The non-current portion is discounted using corporate bond rates.

Notes to the Consolidated Financial Statements

14. CONTRIBUTED EQUITY

	Note	2017 $'000	2016 $'000
Share capital		**160,436**	**160,436**

(a) Issued shares		2017 Number	2016 Number
Ordinary shares		384,423,851	384,423,851
Treasury shares	14(b)	(842,089)	(2,338,154)
Total issued shares		**383,581,762**	**382,085,697**

(b) Movement in treasury shares		
At beginning of year	(2,338,154)	(3,502,401)
Employee share scheme issue	1,496,065	1,164,247
At end of year	**(842,089)**	**(2,338,154)**

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

Accounting

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

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 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**
Foreign currency translation		(109)	–	(109)
Share-based payment expense	28(a)	–	709	709
At 30 June 2017		**3,724**	**2,898**	**6,622**

(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*.

Notes to the Consolidated Financial Statements

15. RESERVES AND RETAINED EARNINGS (continued)

(c) Retained earnings	2017 $'000	2016 $'000
Movements in retained earnings were as follows:		
At beginning of year	197,449	173,836
Profit after income tax	35,717	40,912
Dividends declared and paid	(19,221)	(17,299)
At end of year	**213,945**	**197,449**

16. DIVIDENDS

	2017 $'000	2016 $'000
Cash dividends declared and paid		
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
2016 final dividend of 3.5 cents per share, paid 23 September 2016. Fully franked @ 30% tax	13,454	–
2017 interim dividend of 1.5 cents per share, paid 7 April 2017. Fully franked @ 30% tax	5,767	–
Total cash dividends declared and paid	**19,221**	**17,299**
Dividends proposed		
2016 final dividend of 3.5 cents per share, paid 23 September 2016. Fully franked @ 30% tax	–	13,454
2017 final dividend of 3.5 cents per share, to be paid 19 September 2017. Fully franked @ 30% tax	13,454	–
Total dividends proposed	**13,454**	**13,454**

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%	**15,652**	**15,162**

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

	2017 $'000	2016 $'000
Profit after tax	**35,717**	**40,912**
Adjustments for non-cash items:		
Depreciation	298	275
Net loss on disposal of plant and equipment	14	80
Interest revenue classified as investing cash flow	(860)	(526)
Share of losses of associates and joint venture entities	28	583
Change in inventory loss provisions	(7,565)	(9,189)
Share-based payments expense	709	906
Change in operating assets and liabilities:		
Decrease/(increase) in inventories	41,396	(26,899)
Increase in trade and other receivables	(32,249)	(45,572)
Increase in other current assets	(933)	(80)
Decrease in current tax receivables	–	143
Increase in deferred tax liability	3,985	6,662
(Decrease)/increase in current tax liability	(5,237)	10,494
Decrease in trade and other payables	(47,949)	(6,902)
(Decrease)/increase in provisions	(581)	803
Net cash used in operating activities	**(13,227)**	**(28,310)**

Notes to the Consolidated Financial Statements

Section B – Risk

18. 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 include:

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 to complete.

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.

19. FINANCIAL RISK MANAGEMENT

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

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 all of the drawn debt at variable rates of interest.

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

The Group uses various techniques, including interest rate swaps, caps and collars to hedge the 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 were outstanding:

	2017		2016	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	**$'000**	**%**	**$'000**
Cash	1.48	(15,562)	1.73	(43,086)
Bank overdrafts	5.50	3	–	–
Bank loans	3.03	179,620	3.24	175,523
Net financial liabilities		**164,061**		**132,437**
Borrowings not hedged		**164,061**		**132,437**

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 shows the impact on profit after tax if interest rates changed by 50 basis points. The calculation is based on borrowings and cash held at year-end. It assumes that interest is capitalised to qualifying assets as shown in note 2:

	Profit After Tax Higher/(Lower)	
	2017 $'000	**2016 $'000**
+50 basis points	(108)	(138)
–50 basis points	108	138

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign currency risk

Foreign currency risk arises as a result of having assets denominated in a currency that is not the Group's functional currency (balance sheet risk) or from transactions or cash flows denominated in a foreign currency (cash flow risk).

Balance sheet risk can affect net tangible assets whereas cash flow risk is more likely to affect potential equity distributions and repayment of debt.

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 equity would have been affected as follows:

	Profit After Tax Higher/(Lower)		**Equity Higher/(Lower)**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
AUD/NZD +10%	(413)	(649)	(402)	(853)
AUD/NZD – 10%	413	649	402	853

(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.

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.

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.

The granting of financial guarantees also exposes the Group to credit risk, being the maximum amount that would have to be paid if the guarantee is called on. As the amounts payable under the guarantees are not significantly greater than the original liabilities, this risk in not material. See note 33 for details regarding financial guarantees.

The Group has no significant concentrations of credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

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 2019 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.

At 30 June 2017, 1.5% (2016: 5.7%) of the Group's interest-bearing loans and borrowings will mature in less than one year.

Notes to the Consolidated Financial Statements

19. FINANCIAL RISK MANAGEMENT (continued)

(iv) Liquidity risk (continued)

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

Year ended 30 June 2017	**< 6 months $'000**	**6–12 months $'000**	**> 1–5 years $'000**	**Total $'000**
Financial Assets				
Cash and cash equivalents	15,562	–	–	15,562
Trade and other receivables	100,505	21,367	38,131	160,003
	116,067	**21,367**	**38,131**	**175,565**
Financial Liabilities				
Trade and other payables	61,881	13,672	37,449	113,002
Interest-bearing loans and borrowings*	2,701	5,280	183,923	191,904
Financial Guarantees	2,135	–	–	2,135
	66,717	**18,952**	**221,372**	**307,041**
Net maturity	**49,350**	**2,415**	**(183,241)**	**(131,476)**

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)**

* 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 $161 million (2016: $165 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 2017				Year ended 30 June 2016			
	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	–	179,623	–	179,623	–	175,523	–	175,523
	–	179,623	–	179,623	–	175,523	–	175,523

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

20. CAPITAL MANAGEMENT

When 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 2017, a total dividend of $19,221,000 was paid (2016: $17,299,000).

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	
	2017 $'000	2016 $'000
Interest-bearing loans and borrowings	179,623	175,523
Less: cash and cash equivalents	(15,562)	(43,086)
Net debt	164,061	132,437
Total equity	381,003	363,907
Total assets	712,781	741,382
Net debt to equity ratio	**43.1%**	**36.4%**
Net debt to total assets ratio	**23.0%**	**17.9%**

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]	**2017**	**2016**	**2017**	**2016**
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	Yes
AVJennings Properties SPV No 4 Pty Limited	100	100	Yes	Yes
AVJennings Properties Elderslie No 2 Pty Limited[4]	–	100	N/A	No
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	Yes
AVJennings SPV No 10 Pty Limited	100	100	No	No
AVJennings SPV No 19 Pty Limited	100	100	No	No
AVJennings SPV No 20 Pty Limited	100	100	No	No
Cusack Lane Nominees Pty Ltd[5]	–	100	N/A	No
AVJennings SPV No 22 Pty Limited	100	–	No	N/A
AVJennings SPV No 23 Pty Limited	100	–	No	N/A
AVJennings SPV No 24 Pty Limited	100	–	No	N/A
AVJBOS Nominees Pty Limited[6]	100	–	No	N/A
AVJBOS Eastwood Developments Pty Limited[6]	100	–	No	N/A
AVJBOS Eastwood Finance Pty Limited[6]	100	–	No	N/A

Notes to the Consolidated Financial Statements

21. CONTROLLED ENTITIES (continued)

(a) Investment in controlled entities (continued)

	% Equity Interest		Included in Banking Cross Deed of Covenant [2]	
ECONOMIC ENTITY [1]	**2017**	**2016**	**2017**	**2016**
Entities excluded from the Closed Group (continued)				
Creekwood Developments Pty Limited[3]	100	100	Yes	Yes
Portarlington Nominees Pty Limited	100	100	Yes	Yes
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).
(4) Deregistered on 20 March 2017.
(5) Ceased to be a controlled entity on 28 November 2016 and its previous name was AVJennings SPV No 21 Pty Limited.
(6) Acquired on 22 February 2017. Refer to note 22.

(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 Corporations Instrument 2016/785 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 Corporations Instrument, 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 Corporations Instrument) 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	
	2017 $'000	**2016 $'000**
Revenues	209,949	200,591
Cost of property development sold	(144,675)	(139,923)
Other expenses	(39,220)	(40,587)
Profit before income tax	**26,054**	**20,081**
Income tax	(8,079)	(6,057)
Profit after income tax	**17,975**	**14,024**

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:

	2017 $'000	2016 $'000
CURRENT ASSETS		
Cash and cash equivalents	15,035	41,265
Trade and other receivables	221,428	182,747
Inventories	110,102	104,115
Other assets	2,504	644
Total current assets	**349,069**	**328,771**
NON-CURRENT ASSETS		
Trade and other receivables	5,548	6,631
Inventories	112,828	148,976
Equity accounted investments	5,431	5,495
Available-for-sale financial asset	2,880	2,880
Plant and equipment	792	985
Intangible assets	2,816	2,816
Total non-current assets	**130,295**	**167,783**
Total assets	**479,364**	**496,554**
CURRENT LIABILITIES		
Trade and other payables	30,483	64,512
Tax payable	4,307	9,146
Provisions	5,491	6,136
Total current liabilities	**40,281**	**79,794**
NON-CURRENT LIABILITIES		
Trade and other payables	18,167	784
Interest-bearing loans and borrowings	139,000	138,000
Deferred tax liabilities	23,482	19,078
Provisions	867	794
Total non-current liabilities	**181,516**	**158,656**
Total liabilities	**221,797**	**238,450**
Net assets	**257,567**	**258,104**
EQUITY		
Contributed equity	160,436	160,436
Reserves	2,898	2,188
Retained earnings	94,233	95,480
Total equity	**257,567**	**258,104**

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	
	2017 $'000	**2016 $'000**
At beginning of year	258,104	260,473
Comprehensive income:		
Profit for the year	17,975	14,024
Total comprehensive income for the year	17,975	14,024
Transactions with owners in their capacity as owners		
– Share-based payment expense	709	906
– Dividends paid	(19,221)	(17,299)
Total transactions with owners in their capacity as owners	(18,512)	(16,393)
At end of year	**257,567**	**258,104**

22. EQUITY ACCOUNTED INVESTMENTS

	2017 $'000	**2016 $'000**
Associate	5	4
Joint Ventures	8,444	8,680
Total equity accounted investments	**8,449**	**8,684**

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 aggregate of the Group's share of profit or loss after tax of associate and joint ventures is shown separately on the face of the *Consolidated Statement of Comprehensive Income*. The Group's share of movements in reserves is recognised in reserves. 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 the underlying assets are realised by the associate or joint venture on consumption or sale.

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)

Interest in Joint Ventures

	Interest held	
	2017	**2016**
Joint Venture and principal activities		
Eastwood – Land Development and Building Construction	–	50.0%
Woodville – Land Development and Building Construction	50.0%	50.0%
Pindan Capital Group Dwelling Trust – Building Construction	33.3%	33.3%

	2017 $'000	**2016 $'000**
Movements in carrying amount		
At beginning of year	8,680	10,663
Dividends received	(208)	(1,400)
Share of loss	(28)	(583)
At end of year	**8,444**	**8,680**

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

	2017 $'000	**2016 $'000**
Share of assets and liabilities		
Current assets	3,495	3,778
Non-current assets	11,947	10,868
Total assets	15,442	14,646
Current liabilities	4,580	4,093
Non-current liabilities	2,418	1,873
Total liabilities	6,998	5,966
Net assets	**8,444**	**8,680**
Share of revenues and expenses		
Revenues	869	43
Expenses	(882)	(621)
Loss before income tax	(13)	(578)
Income tax	(15)	(5)
Loss after income tax	**(28)**	**(583)**

On 22 February 2017, the Group purchased the equity held by the joint venture partner in AVJBOS Nominees Pty Ltd, the holding company for the Eastwood project. The Eastwood project does not constitute a business and has been accounted for as an asset acquisition. AVJBOS Nominees Pty Ltd and its wholly owned subsidiaries, AVJBOS Eastwood Developments Pty Ltd and AVJBOS Eastwood Finance Pty Ltd are now wholly owned by the Group.

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	
	2017	**2016**
Joint Operation name, principal place of business and principal activities		
Wollert Joint Venture (Victoria) – Land Development and Building Construction	49%	49%
Cusack Lane Development Joint Venture (Queensland) – Land Development	50%	–

On 2 December 2016, the Group entered into a joint venture agreement to develop land at Cusack Lane, Jimboomba in Queensland.

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:

	2017 $'000	**2016 $'000**
Revenues	9	3,088
Cost of property developments sold	–	(2,695)
Other expenses	(511)	(188)
(Loss)/profit before income tax	**(502)**	**205**
Income tax	151	(62)
(Loss)/profit after income tax	**(351)**	**143**
Total comprehensive (loss)/income for the year	**(351)**	**143**

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:

	2017 $'000	2016 $'000
CURRENT ASSETS		
Cash and cash equivalents	–	947
Trade and other receivables	60	12
Inventories	7,335	730
Total current assets	**7,395**	**1,689**
NON-CURRENT ASSETS		
Inventories	51,387	22,315
Total non-current assets	**51,387**	**22,315**
Total assets	**58,782**	**24,004**
CURRENT LIABILITIES		
Trade and other payables	2,581	259
Total current liabilities	**2,581**	**259**
NON-CURRENT LIABILITIES		
Trade and other payables	10,077	1,028
Total non-current liabilities	**10,077**	**1,028**
Total liabilities	**12,658**	**1,287**
Net assets	**46,124**	**22,717**

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 2017 were authorised for issue in accordance with a resolution of the Directors on 4 September 2017.

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 53.02% 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 entitiess

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	
	2017 Number	**2016 Number**
Fully paid ordinary shares	208,199,567	196,736,550

(c) Entity with significant influence over AVJennings Limited

203,818,030 ordinary shares equating to 53.02% of the total ordinary shares on issue (2016: 192,318,030 and 50.03% respectively) were held by SC Global Developments Pte Ltd and its subsidiaries in the Parent Entity at 30 June 2017. 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 2017, there is no evidence of impairment and recoverability is considered probable (2016: Nil).

Notes to the Consolidated Financial Statements

27. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	Note	2017 $	2016 $
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	(ii)		
Management fee received/receivable		–	49,684
Accounting services fee received/receivable		–	12,500
Dividends received		207,500	1,400,000
Woodville JV			
Accounting services fee received/receivable		19,500	16,500
Joint Operations:			
Wollert JV			
Management fee received/receivable		1,832,847	1,935,132
Accounting services fee received/receivable		50,000	50,000
Cusack Lane Development JV			
Management fee received/receivable		198,290	–
Accounting services fee received/receivable		33,881	–

(i) Consultancy fees paid to SC Global Developments Pte Ltd of $600,000 (2016: $600,000).
(ii) Ceased to be a joint venture on 22 February 2017. Refer to note 22.

(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.

	2017 $'000	2016 $'000
Current receivables		
Joint Ventures	973	481
Non-current receivables		
Joint Ventures	1,096	1,601

(h) Loans to and from related parties

	2017 $'000	2016 $'000
Loan advanced		
Joint Ventures	2,607	1,119
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

	2017 $	2016 $
Short-term		
– Salary/Fees	1,927,428	1,906,290
– Accrued annual leave	21,123	24,041
– STI	399,822	378,409
– Other [(1)]	70,309	61,343
Post employment		
– Superannuation [(2)]	129,323	108,252
Long-term		
– Accrued Long service leave	77,413	77,411
Share-based payment	605,343	657,066
	3,230,761	**3,212,812**

(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.

(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:

	2017 $'000	2016 $'000
Expense arising from equity-settled share-based payment transactions	819	925
Expense reversed on forfeiture of shares	(110)	(19)
Total expense arising from share-based payment transactions	**709**	**906**

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.

(i) LTI and retention (FY15 and subsequent years)

With effect from FY15, LTI arrangements were varied and remuneration is 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.

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

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

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. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(ii) LTI Awards (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 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. 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 was that the employee must be employed by AVJennings at 30 September 2016. In the event of death, permanent disablement or retrenchment, the shares may vest to the estate at the Board's discretion. If the employee resigned (in certain circumstances) or was terminated, the unvested shares would be forfeited.

The performance vesting conditions were:

- TSR performance measured against the ASX Small Industrials Index; and
- EPS growth. AVJennings' EPS growth must meet or exceed 10% p.a. for the three financial years to 30 June 2017.

Half of the allocation was 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 was 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

Notes to the Consolidated Financial Statements

28. SHARE-BASED PAYMENT PLANS (continued)

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

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.

(c) 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	(418,783)	(1,191,313)	–
FY2015 Rights Grant	–	321,780	–	(321,780)	–
FY2016 Rights Grant	–	403,193	–	(403,193)	–
Holding Account	–	(2,224,846)	3,066,935	–	842,089
Total	**4,221,605**	**-**	**-**	**(3,379,516)**	**842,089**

(d) 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	(321,780)	(252,408)	789,395
FY2016 Grant	1,587,251	(403,193)	(232,816)	951,242
FY2017 Grant	1,859,171	–	(97,085)	1,762,086
Total	**4,810,005**	**(724,973)**	**(582,309)**	**3,502,723**

Notes to the Consolidated Financial Statements

29. AUDITOR'S REMUNERATION

	2017 $	2016 $
Ernst & Young		
Audit and assurance services		
– Audit and review of the financial reports of the Group	303,974	282,014
– Share of audit and review costs of the financial reports of the Group's joint ventures	3,901	2,624
Total auditor's remuneration	**307,875**	**284,638**

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:

	2017 $'000	2016 $'000
Profit attributable to ordinary equity holders of the Parent	35,717	40,912

	2017 Number	2016 Number
Weighted average number of ordinary shares	384,423,851	384,423,851
Treasury shares	(842,089)	(2,338,154)
Weighted average number of ordinary shares for EPS	383,581,762	382,085,697

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::

	2017 $'000	2016 $'000
Balance Sheet		
Current assets	53,454	52,745
Total assets	216,740	216,031
Current liabilities	6	6
Total liabilities	6	6
Shareholders' equity		
Contributed equity	160,436	160,436
Reserves		
Share-based payment reserve	2,898	2,189
Retained earnings	53,400	53,400
Total equity	**216,734**	**216,025**
Profit for the year	**–**	**–**
Total comprehensive income for the year	**–**	**–**

(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:

	2017 $'000	2016 $'000
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	2,143	2,080
After one year, but not more than five years	3,144	2,382
Total operating leases	**5,287**	**4,462**
Represented by:		
Non-cancellable operating leases	5,271	4,210
Cancellable operating leases	16	252
Total operating leases	**5,287**	**4,462**

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 2017 amounted to $26,936,000 (2016: $22,239,000).

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 2017, amounted to $7,796,000 (2016: $8,724,000). 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 2017, amounted to $2,135,000 (2016: $5,593,000). No liability is expected to arise.

34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2017 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 2017 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 2017 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. It sets out new rules for hedge accounting. 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 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 recognised on settlement, however, the Company continues to consider the implications for revenue currently recognised prior to settlement.

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. Whilst the total amount of expense recorded in the income statement is expected to remain unchanged over the full lease term, the timing of expense recognition could accelerate. The expense would be re-characterised as interest expense and amortisation expense instead of rent. Assets and liabilities will increase as "right to use assets" and "leasing liabilities" are recorded for operating leases.

AVJennings has performed a high-level assessment of AASB 16 on its existing operating lease arrangements as a lessee. Based on the preliminary assessment and using a discount rate of approximately 6.01%, the Group would recognise right of use assets approximating 1% of total assets and lease liabilities approximating 2% of total liabilities if the Standard were to be implemented at 30 June 2017. Assuming there are no major structural changes to the business, AVJennings expects the percentage of right of use assets and lease liabilities to remain at similar levels.

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 2017. 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 2017 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 2017.

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

4 September 2017

Peter Summers
Director

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Ernst & Young
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Sydney NSW 2000 Australia
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Independent Auditor's Report to the Members of AVJennings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AVJennings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Independent Auditor's Report to the Members of AVJennings Limited (continued)

1. Net realisable value (NRV) of inventories

Why significant

Approximately 74% of the Group's total assets comprise development inventories. Inventories are carried at the lower of cost and net realisable value and the directors assess this with reference to the following key data inputs:

- Inventory costs incurred to date
- Capitalised costs to date
- Forecast costs to complete
- Average historic and forecast selling price and sales rate per project

This is considered a key audit matter as it involves a significant degree of judgment and can present a range of alternative outcomes. The NRV analysis performed is based on a combination of the current project feasibility models and an overlay analysis that takes into account changes to the underlying assumptions based on the impact of changing market conditions and changes to strategy.

There is judgment involved in determining the appropriate allocation of cost of sales on realisation of inventories.

Disclosure of inventories is included in note 6 of the financial report.

Disclosure of significant judgments is included in note 18 of the financial report.

How our audit addressed the key audit matter

Our audit procedures focused on assessing the judgments and assumptions made by the Group in the feasibilities underpinning the net realisable assessments.

We achieved this by performing the following procedures:

- We assessed and tested the design and operating effectiveness of relevant controls over cost accumulation;
- We met with the project managers to understand the status and progress of a sample of developments;
- We assessed the Group's impairment methodology, project margin analysis and feasibility models prepared by the Group for a sample of developments currently in progress;
- Identified higher risk projects, based on our judgment, and evaluated the assumptions adopted. In doing so, we:
  - Compared the forecast sales revenue assumed to the most recent historical or comparable sales and external market data where available;
  - Corroborated the costs projected to signed contracts or actual costs incurred for current or comparable projects; and
  - Assessed contingency estimates for remaining development risks.
- Performed sensitivity analyses in relation to the key forward looking assumptions including sales price achieved, cost per lot and escalation rates; and
- Tested the mathematical accuracy of the feasibilities tested.

2. Revenue recognition

Why significant

The Group's policy is to recognise revenue when the significant risks, rewards and ownership and effective control has been transferred to the buyer. This is generally once settlement has occurred; however, revenue may be recognised prior to settlement when a signed unconditional contract for sale exists, and the significant risks and rewards of ownership and effective control have been transferred to the buyer, and there is no ongoing management involvement to the degree usually associated with ownership.

The Group recognised $138.3million in sales revenue prior to settlement for the year ended 30 June 2017.

Revenue recognition for unsettled sales is considered an area of judgment.

The gross margin recognised on development sales is based upon the costs attributed to the inventory asset prior to sale and which can be subject to judgment.

Disclosure of revenue is included in note 2 of the financial report.

Disclosure of significant judgments is included in note 18 of the financial report.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence:

- We assessed the accounting policies and judgments applied by the Group on the recognition of revenue and cost of sales for appropriateness.
- To evaluate the adherence to the Group's policy, on a sample basis, we assessed the recognition of revenue for unsettled sales with reference to the following supporting evidence (where applicable):
  - Underlying sales contracts,
  - Title registration certificates, and/or
  - Sub-contractor completion certificates.
- We performed cut-off testing around year-end sales to assess whether revenue and cost of sales was recognised in the correct period.
- Assessed the appropriate release of cost of sales for the contracts selected.

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Independent Auditor's Report to the Members of AVJennings Limited (continued)

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report to the Members of AVJennings Limited (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 24 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney

4 September 2017

Shareholder Information

As at 12 September 2017

1. NUMBER OF SHAREHOLDERS AND DISTRIBUTION OF EQUITY SECURITIES

	Australian Securities Exchange	Singapore Exchange	Total
Range of Holdings of Ordinary Shares			
1 – 1,000	624	265	889
1,001 – 5,000	898	615	1,513
5,001 – 10,000	362	184	546
10,001 – 100,000	827	216	1,043
100,001 – and over	166	25	191
Total number of holders	**2,877**	**1,305**	**4,182**
Number of holders of less than a marketable parcel	**345**	**121**	**466**

2. SUBSTANTIAL SHAREHOLDERS

As disclosed by latest notices received by the Company:

Name	Ordinary Shares	%
SC Global Developments Pte Ltd	203,818,030	53.02

Shareholder Information

As at 12 September 2017

3. TWENTY LARGEST SHAREHOLDERS ON THE AUSTRALIAN REGISTER

Name	Ordinary Shares	%
The Central Depository (Pte) Ltd	211,469,136	55.01
BNP Paribas Nominees Pty Ltd <DRP>	15,210,279	3.96
HSBC Custody Nominees (Australia) Ltd	14,412,889	3.75
Citicorp Nominees Pty Ltd	10,676,961	2.78
JP Morgan Nominees Australia Ltd	8,340,545	2.17
Brazil Farming Pty Ltd	5,771,016	1.50
John E Gill Trading Pty Ltd	5,598,712	1.46
John E Gill Operations Pty Ltd	5,459,927	1.42
Gillcorp Pty Limited	4,738,416	1.23
Pacific Custodians Pty Ltd <AVJennings DESP Trust>	4,541,091	1.18
Horrie Pty Ltd	3,250,000	0.85
Luton Pty Ltd	2,700,000	0.70
RBC Investor Services Australia Nominees Pty Ltd	1,941,915	0.51
Mr Bradley John Newcombe	1,600,000	0.42
Ago Pty Ltd	1,560,000	0.41
Jilliby Pty Ltd	1,500,000	0.39
Mr D R M Gill and Mrs J M Gill <Gill Super Fund A/c>	1,492,832	0.39
Gillcorp Pty Limited	1,475,123	0.38
National Nominees Ltd	1,421,973	0.37
Di Iulio Homes Pty Ltd <Di Iulio Super Fund A/c>	1,178,700	0.31
Total	**304,339,515**	**79.17**

Shareholder Information

As at 12 September 2017

4. TWENTY LARGEST SHAREHOLDERS ON THE SINGAPOREAN REGISTER

Name	Ordinary Shares	%
UOB Nominees (2006) Pte Ltd	179,219,468	46.62
United Overseas Bank Nominees Pte Ltd	11,302,571	2.94
Trimount Pte Ltd	1,659,940	0.43
Oei Hong Leong Foundation Pte Ltd	1,462,112	0.38
Lim Chin Tiong	1,351,920	0.35
Raffles Nominees (Pte) Ltd	1,287,132	0.33
Tsang Sze Hang	837,396	0.22
DBS Nominees Pte Ltd	823,496	0.21
Rowland Wong Kwok Ho	748,833	0.19
Vesmith Investments Pte Ltd	634,876	0.17
Pansbury Investments Pte Ltd	496,160	0.05
Hexacon Construction Pte Ltd	368,480	0.10
UOB Kay Hian Pte Ltd	343,459	0.09
Chng Bee Suan	332,320	0.09
OCBC Nominees Singapore Pte Ltd	287,156	0.07
Teo Chiang Long	250,648	0.07
Ng Poh Cheng	214,760	0.06
Wee Kim Choo @ Elizabeth Sam	209,349	0.05
Lim Kong Wee	200,974	0.05
Tan Hak Jin	188,000	0.05
Total	**202,219,050**	**52.60**

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 Teck Poh Lai
Mr Bruce Hayman
Mr Boon Leong Tan
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.

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:
Metropol Meeting Room 4
Crown Metropol Melbourne
8 Whiteman Street
Southbank Vic 3006.
Wednesday, 22 November 2017 at 10.00 a.m.

DIVIDENDS

Dividends paid in the year under review:
Final Dividend of $0.035 for FY16 paid on 23 September 2016
Interim Dividend of $0.015 for FY17 paid on 7 April 2017

AVJennings®