Annual Report 2021

AVJennings Limited
ABN 44 004 327 771

Housing matters. Community matters.

*Voted by Australians. Winner, Trusted Brand 2021 Reader's Digest Property Developers.

Contents.

Lyndarum North, Wollert, VIC

“We believe our traditional housing and community focus will prove a significant strength moving forward as customers look for more space, connectedness and community feeling.”

Chairman's Report.

Dear fellow shareholders, on behalf of the Board of Directors, I am pleased to present our 2021 Annual Report.

Financial year 2021, the 89th year in AVJennings' proud history, continued to be dominated by the impact of the COVID-19 pandemic. From the outset, safety remained the number one priority for AVJennings' Board and Management. This not only relates to the safety of our staff, customers, suppliers and the community, but also the economic safety of the Company. Few people or companies were immune to the threats posed by the pandemic. However, we were also aware that the Company had to remain open and operational to meet the important needs of our valued customers who continued to engage and purchase.

The progressive balancing of our business required significant flexibility in strategy and implementation. I am proud of how we have managed these challenges. I would also like to take the opportunity to congratulate the management team and all staff on successfully navigating through these extraordinary challenges and acknowledge the remarkable strength and dedication they demonstrated.

When we entered into financial year 2021, our presales provided us some financial certainty as well as motivation to ensure our customers' dreams were met. Beyond that, there is no doubt the industry faced short term challenges, not because of the lack of demand, but because of the risk that prospective customers would defer decisions to purchase a home during a pandemic. Just as JobKeeper enabled companies to sustain their business and keep people employed, HomeBuilder acted as a stimulus to encourage people to continue to transact.

Improved profitability and balance sheet strength, and strong contract signings achieved, underpinned a quality set of financial results. Despite short term lockdown challenges, the Board is optimistic that a more normal future can be achieved as vaccination programs roll out, and declared a final dividend of 1.8 cents per share fully franked. This brings total dividends declared, fully franked, in respect of financial year 2021 to 2.5 cents per share, compared to a total 1.2 cents per share for financial year 2020.

Looking ahead, while the global pandemic remains an ongoing challenge, the world is moving towards a more positive environment as countries are better placed to tackle the coronavirus and vaccination programs are rolled out. The continuing strength of the residential market since the end of initiatives such as JobKeeper and HomeBuilder is encouraging and consistent with our previously stated belief that underlying fundamentals for residential property remain strong.

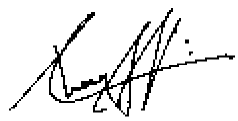
We entered financial year 2021 with a strong balance sheet and our focus on protecting that strength sees us very well placed for future growth. Competition for sites is considerable but we are confident we will be able to add new projects to our portfolio throughout the current financial year and increase our landbank.

The Board continues to monitor and be advised by Management on the changing landscape. This not only relates to short term changes caused by snap lockdowns, but also long term changes such as buyer preferences. We believe our traditional housing and community focus will prove a significant strength moving forward as customers look for more space, connectedness and community feeling. The shift to greater workplace flexibility and working from home will also see a positive change in lifestyle preferences suited to our markets. To ensure we are even better placed to benefit from this, the team is proactively focusing on innovation.

I would like to thank our Directors for their continuing guidance and dedication that has been extraordinary during these challenging times. I would also like to welcome Lisa Chung AM to our Board of Directors. Lisa was appointed on 1 June 2021 as a Non-Executive Director and Member of the Risk Management

Committee. Lisa had a successful 30 year career in the legal profession and brings to the Company considerable board and senior level experience in commercial property, urban development and infrastructure sectors.

Finally, a sincere thank you to our management, employees, partners, shareholders and customers for their continued invaluable commitment and support in AVJennings as it heads into its 90th year.



Simon Cheong
Chairman

2021 Highlights.

Traditional Markets.

Revenue

$311.1m

up $48.7m 18.6% ↑

Profit before tax

$26.7m

up$13.5m 102.7% ↑

Cash receipts from customers

$331.1m

Quality Asset Base.

Under control

12,180 lots

(Includes land under option)

Net funds employed spread geographically.

Work in progress

1,537 lots

Strong Stability.

Total fully franked dividends

2.5 cps

Net debt

$125.4m

Gearing

20.1%

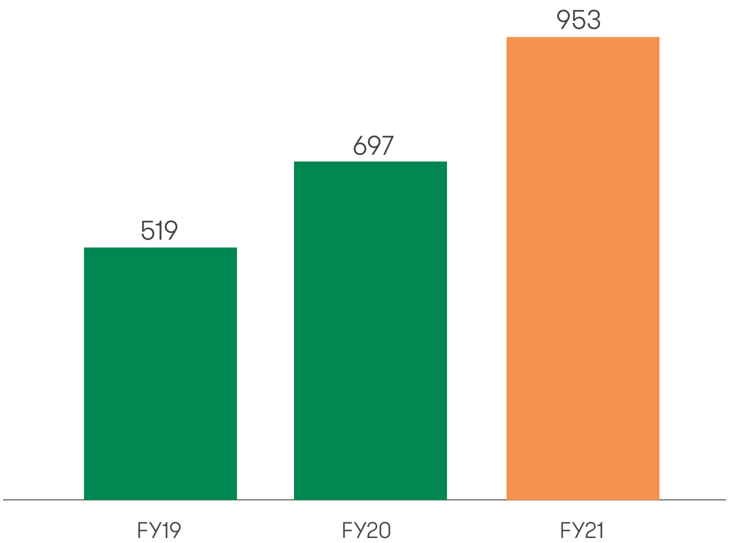
(inside 15-35% target range)

YOY Comparison

	FY21	FY20	Change
Total revenue	**$311.1m**	$262.4m	18.6%
Statutory profit before tax	**$26.7m**	$13.2m	102.7%
Statutory profit after tax	**$18.7m**	$9.0m	107.0%
Gross margins	**22.6%**	22.8%	(0.2)pp
Net tangible assets (NTA)	**$406.3m**	$390.3m	4.1%
NTA per share	**$1.00**	$0.96	4.3%
EPS (cents per share)	**4.62**	2.23	107.2%
Dividend fully franked (cents per share)	**2.5**	1.2	108.3%

2021 Highlights.

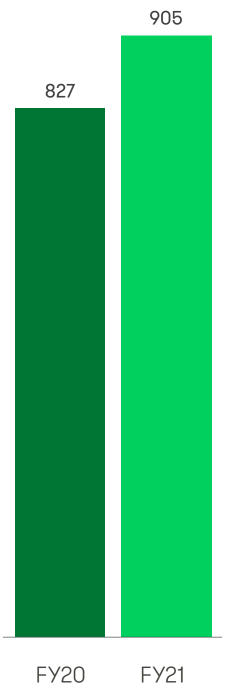
Contract signings (Lots)



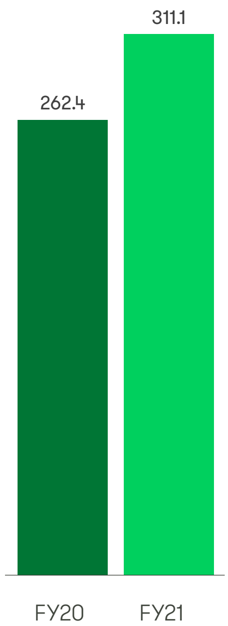
37% growth in contracts signed provides a solid platform for future earnings.

Results Summary

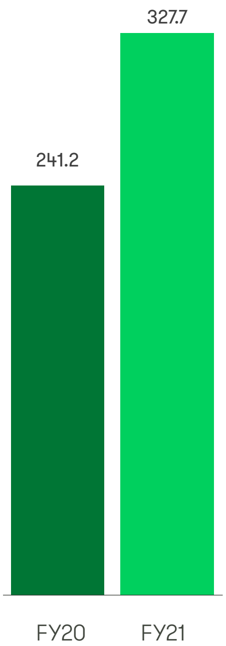
Settlements (Lots)



Revenue ($m)

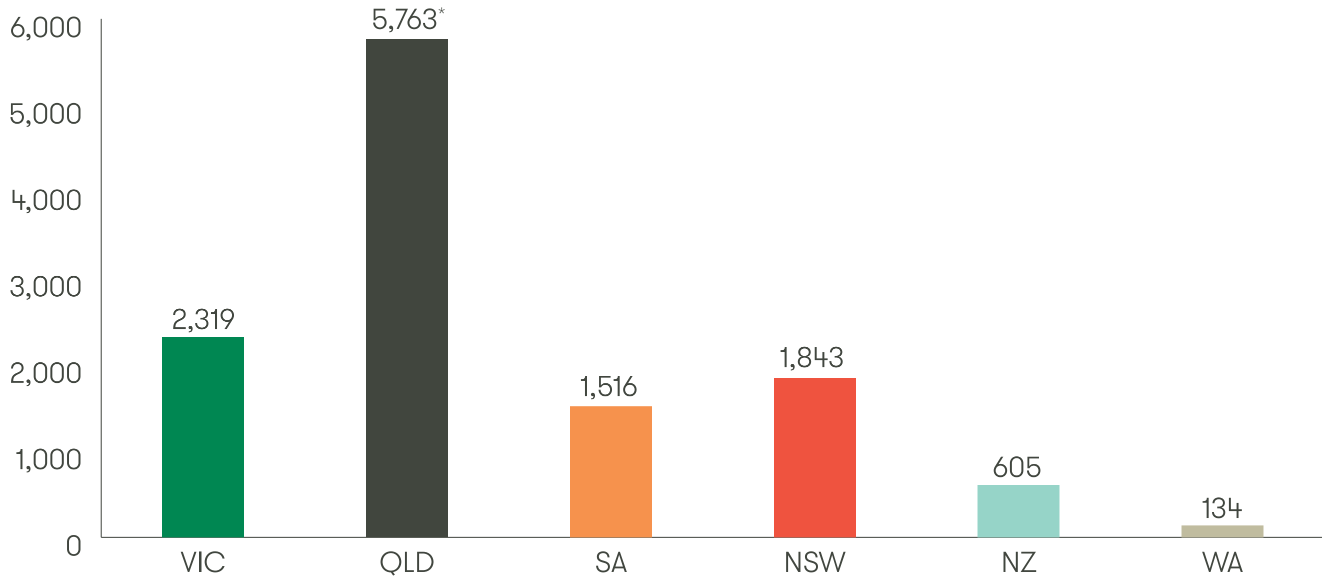


Contract signings ($m)



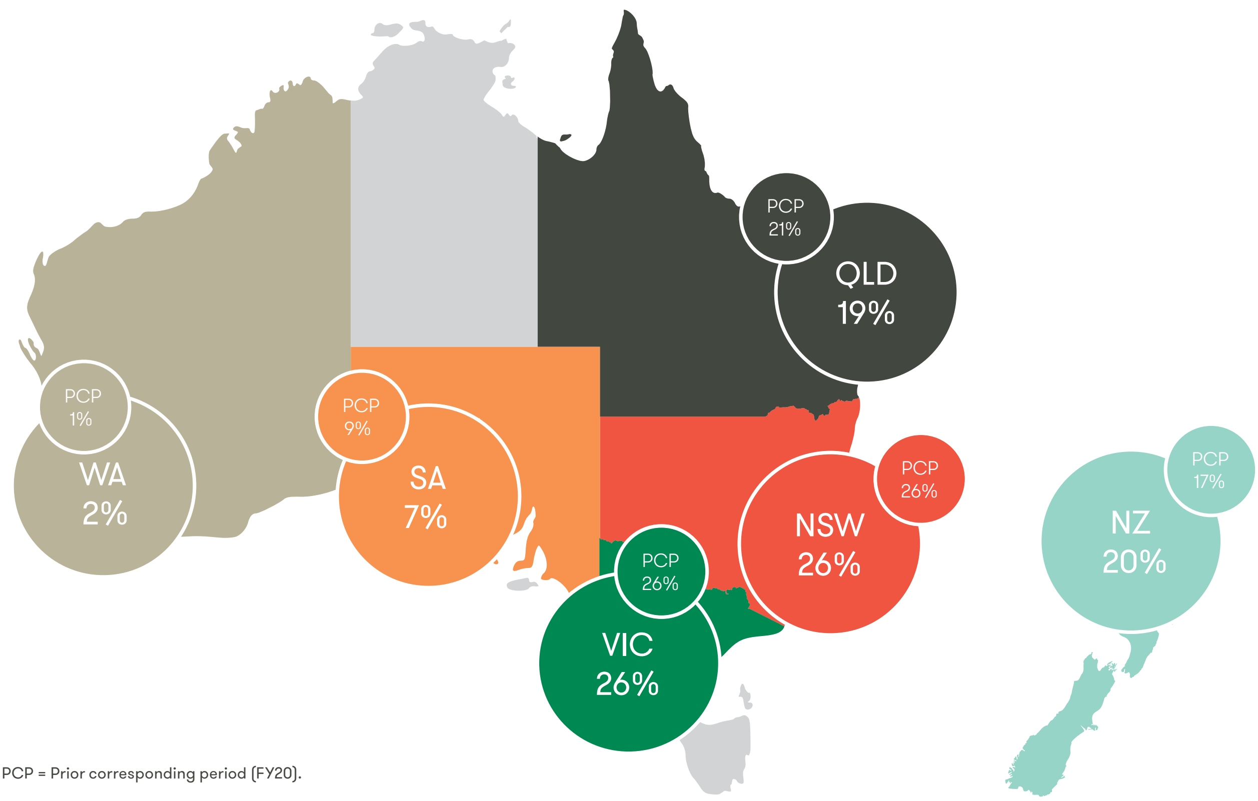
Property Portfolio.

Number of lots at 30 June 2021.



*includes 3,500 lots at Caboolture (under option).

Net funds employed by region.



PCP = Prior corresponding period (FY20).

Project Pipeline.

At 30 June 2021.

Pre-delivery phase
Development phase

Region	Communities	Remaining no. of lots.
NEW SOUTH WALES	Argyle, Elderslie	92
	Evergreen, Spring Farm (South)	36
	Evergreen, Spring Farm (East Village)	416
	Arcadian Hills, Cobbitty	98
	Arcadian Grove, Cobbitty	20
	Rosella Rise, Warnervale	518
	Evergreen, Spring Farm	19
	Prosper, Kogarah	56
	Huntley	194
	Calderwood	390
QUEENSLAND	Creekwood, Caloundra	35
	Glenrowan, Mackay	177
	Essington Rise, Leichhardt	1
	Parkside, Bethania	33
	Anise, Bridgeman Downs	25
	Arbor, Rochedale 2	21
	Riverton, Jimboomba	1,066
	Deebing Springs, Deebing Heights	205
	Arbor, Rochedale 1	18
	Cadence, Ripley	233
	Ripley 3	449
	Caboolture, Rocksberg	3,500
NZ	Ara Hills, Orewa	605
VICTORIA	Lyndarum, Wollert	95
	Lyndarum North, Wollert JV	1,682
	Aspect, Mernda	238
	Harvest Square, Brunswick	87
	Waterline Place, Williamstown	217
SOUTH AUSTRALIA	Pathways, Murray Bridge	34
	Riverhaven, Goolwa North	62
	St Clair	172
	Eyre, Penfield	1,238
WESTERN AUSTRALIA	Indigo China Green, Subiaco Fine China Precinct	45
	Viridian China Green, Subiaco Fine China Precinct	9
	The Heights, Kardinya	62
	Parkview, Ferndale	18

Excludes 14 remnant lots.

Chief Executive Officer's Report.

It is understandable that, especially for a listed company, the main focus of the annual reporting process, including the Annual Report, is on profitability. In reality, profitability is an outcome. It reflects market conditions, a company's strategy, including its approach to risk, as well as its ability to execute effectively.

Despite early 2020 showing signs of a market recovery, the onset of the COVID-19 pandemic made short term profitability more challenging. Risks changed and priorities and strategies changed accordingly.

Whilst prioritising safety and security, it was pleasing to achieve revenue growth of 18.6% to $311.1 million, assisted by revenue recognition for GEM apartments at Waterline Place, Williamstown in Victoria, and the first stage of Ara Hills, Auckland. We also saw an increase in our contract signing numbers in financial year 2021 with 953 ($327.7 million) contracts signed, compared to the prior year of 697 contracts ($241.2 million).

There is no doubt the Federal Government HomeBuilder scheme helped maintain revenue and contract signing levels during the challenging times. But as the year progressed, it was the recovering economy and residential market fundamentals that came to the fore. We have seen property markets remain strong beyond the end of various government stimulus programs, although recent and snap lockdowns remind us of the ongoing uncertainty and need to remain alert and flexible.

Margins remained stable overall. In the early stages of the pandemic there was minor discounting of selling prices, but overall prices held and even increased as the year progressed. Against this we have seen the inflationary impact of HomeBuilder. As the scheme had timing deadlines for contract signing and commencement of construction to qualify, this pushed a number of transactions into a shorter timeframe than may otherwise have been the case. There have also been price increases due to shortages of materials such as steel and timber. The result also included $1.8 million in additional inventory provision largely relating to two South Australian projects.

Changes to the Company's operating structure during the 2020 financial year, including moving to a national structure, continue to be beneficial to both operational decision making, flexibility and efficiency. In the 2021 financial year, overheads excluding the effect of JobKeeeper payments, reduced by $1.5 million.

From the onset of the pandemic, the Company strongly focused on liquidity and balance sheet stability. Net cash from operations was a positive $64 million in the 2021 financial year, well up on the prior financial year's positive $10.6 million. The improved cash position was assisted by solid settlements of 905 lots (827 in 2020 financial year).

Our balance sheet strength continues. Gearing at 20.1% remains within our target range of net debt to assets of 15 – 35%, a significant decrease on the financial year 2020 level at 28.1%.

It is important for future results to have both advanced projects already under control as well as to continue acquiring new sites.

The year saw many accomplishments which will be important for future operations and results. We have commenced development at Rosella Rise, Warnervale on the Central Coast of NSW, a strong growth region which will benefit from changing customer preferences seeking more space, a greater sense of connectivity and community and a more balanced lifestyle, aided by more flexible working arrangements.

In Victoria, our Aspect project at Mernda in Melbourne's strong northern growth corridor is also underway, and we have progressed plans for the newest and largest apartment building at Waterline Place in Williamstown, Victoria.

"My lasting memory of financial year 2021 without a doubt is of people."

We have also made good progress in relation to obtaining necessary approvals for Rocksberg, Caboolture in Queensland, and Calderwood, in New South Wales.

The early stages of the pandemic saw the Company initially wind back production levels, with a focus on projects where pre-sales existed, so we could meet the expectations and dreams of our customers. Once the first lockdowns eased we quickly and efficiently increased our production levels. At 30 June, 2021 we had 1,537 lots under development. This scaling down and then up of our production was aided by our horizontal business model.

The 2021 financial year also saw an increase in the amount of housing constructed in our projects. Our internal building capabilities are a critical part of our strategy, enabling us to better meet the challenges of affordability faced by our customers, as well as to maximise returns from our investment in projects. Of course building extends the timelines to profit recognition, so the benefits of scaling up will mainly be experienced in future periods.

Due to the decision to prioritise balance sheet strength we put a hold on acquisitions until late into the 2020 calendar year. We have returned solidly into acquisition mode and with our strong balance sheet, are aiming for successful outcomes in this area.

Whilst all at AVJennings are proud of the financial outcomes for the year, both in terms of profitability and balance sheet strength, my lasting memory of financial year 2021 without a doubt is of people. I took enormous pride in seeing how they lived our values in such extraordinary times and circumstances. I received more correspondence from customers than ever before saying how wonderful AVJennings staff had been in helping them achieve their dreams. Even when issues arose, as they invariably do when it is so difficult to move around, they were dealt with professionally, in a caring manner and with brilliance.

We were proud to continue to support our suppliers, business and community partners, and to continue to play a vital role in a vital industry that impacts the lives of all of us. Indeed, Housing Matters, Community Matters.

Equally, we appreciated their support of us. We especially appreciated the support and trust of our customers.

We have also continued our journey along the Environmental, Sustainability and Governance (ESG) path, listening, learning, changing and leading. We have always been committed to the principles and to being not only a better company, but a great company.

As we enter our 90th year in 2022, we can proudly look back on the first 89 years. Those years have seen the Company not only survive, but prosper, through recessions, wars and now a global pandemic. Indeed the Company was founded in 1932, during the Great Depression.

And we can look forward confidently to the future, knowing we have built on the legacy that past has created.

In such a difficult year, I thank everyone for their continued efforts and support.

Peter Summers
Chief Executive Officer

Our Communities.

New South Wales.

New South Wales experienced strong market conditions in FY21 and we expect demand to further improve in a COVID-19 recovery phase for our quality homes in our local residential communities. Rosella Rise at Warnervale is our new community within the Central Coast. The first stage of the project will title in FY22 and we also see the opening of 4 new AVJennings display homes this year. At Evergreen (Spring Farm) and Arcadian Hills (Cobbitty) projects where there is a mix of built form and land development, we expect strong demand to continue through FY22. At Evergreen we will be opening our newest park, located in Stage 7, in second quarter FY22.

Evergreen, Spring Farm, NSW

Queensland.

Queensland had a strong year with our Anise and Parkside projects now sold out and construction to be complete on both projects in FY22. Creekwood (Caloundra) will also trade out in FY22, a significant milestone for the QLD business. Riverton (Jimboomba) and Cadence (Ripley) developments have moved into full production with a mix of land and housing options to be delivered across both projects. These projects are set to continue to drive results for the business in the coming financial years. The development of key community parks across both developments are underway. Planning work on the Caboolture project continues with significant master planning work completed in FY21.

Cadence, Ripley, QLD
Artist Impression

New Zealand.

In FY21 AVJennings closed out the majority of our obligations at Hobsonville Point. We are extremely proud of our involvement in the development of this market leading, award winning project. Our focus has moved to Ara Hills in Orewa, north of Auckland, where the Stage 1 land development was successfully completed in FY21 and we will release to market and commence construction on our next stages (2 & 3) in FY22. We look forward to welcoming our first residents to the Ara Hills community with housing construction underway in stage 1. We will also open the first section of the extensive open space network this year.

Ara Hills, Orewa, NZ


Eyre Sports Park, Eyre, SA

South Australia.

In South Australia we have seen buyers attracted to the quality land developments and built form that AVJennings is known for. Our Eyre residential community stands apart from other developments with the amenity created in the development delivered upfront. FY22 will see an increase in the number of quality affordable AVJennings built homes to be released as our built form program ramps up. At St Clair, town home construction continues on the sold out Piper townhomes. Design and planning on future releases is underway. We are also focused on returning capital from older projects with development in FY21 at Pathways (Murray Bridge) and Riverhaven (Goolwa North). On both projects we are forecasting to commence development of the final stages in FY22.


Waterline Place, Williamstown, VIC

Victoria.

In August 2020 Lyndarum North (Wollert) sold its 500th lot, a significant milestone for the development. Residents continue to move into this master planned community taking advantage of the high quality parks and diversity of housing choices. At Aspect (Mernda) sales and construction on this 230 lot development will commence in FY22. Brunswick West (Harvest Square) public housing renewal project will see construction commencement in FY22 and the release of the project to market in FY22. The award-winning Waterline Place at Williamstown saw the completion of the Empress Apartments and Bower townhomes in FY21 backed by strong sales in both projects and we now have construction underway for the Piper Townhomes which has achieved strong early sales. The Merchant Apartments, the last apartment building for the Waterline Precinct, will be released in FY22.

Arcadian Hills, Cobbitty, NSW

Corporate Governance.

At AVJennings, we are committed to high standards of corporate governance, so that our decisions and actions are based on transparency, integrity and responsibility to promote long term sustainability and the on-going success of our business.

The AVJennings Board.

The Board is responsible for the business strategy, direction, overall corporate governance and performance of the Company. It is accountable to our various stakeholders which includes, among others, our shareholders, employees, customers, regulators, suppliers and the communities in which we operate.

The Board currently comprises of eight Non-Executive Directors and one Executive Director. Particulars of Directors' skills and qualifications are set out in the Directors' Report section of the Company's 2021 Annual Report. Core skills and attributes identified as desirable of Directors include industry experience, risk management, compliance oversight, development of strategy and policy, financial literacy, skills and experience in banking and finance, sales and commercial. These skills are collectively available on the Board and it seeks to achieve a balance in its structure that best reflects the needs of the Company at any particular time.

Tenure

As at 30 June 2021, the tenure profile of the Board was as follows:

0-1 year	= 1 Director
1 – 4 years	= 1 Director
5 – 10 years	= 2 Directors
> 10 years	= 5 Directors

The Board believes that maintaining a range of director tenures is important to facilitate orderly board renewal, whilst maintaining continuity and corporate knowledge among directors.
A new Director, Ms Lisa Chung, was appointed to the Board on 1 June 2021.

Director Independence

Directors are required to ensure that they immediately advise the Board of any relevant, new or changed relationships, to enable the Board to consider and determine the materiality of those relationships. The Board regularly assesses the independence of each Director in light of these disclosures and other factors to determine if requirements for independence are satisfied. Based on these reviews, the Board has determined that six of the eight Non-Executive Directors are independent.

Board Committees

To assist it with carrying out its responsibilities, the Board has established the following Committees:

- Audit
- Nominations
- Remuneration
- Investments
- Risk Management (incorporating a Workplace Health, Safety and Environment sub-committee)

Each Committee has a charter that governs its area of responsibility. Board and Committee charters are published in the investor section of the AVJennings website, www.avjennings.com.au.

AVJennings also publishes a comprehensive Corporate Governance Statement annually in accordance with the ASX Corporate Governance Principles, which sets out in detail how compliance with governance and risk management obligations are met.

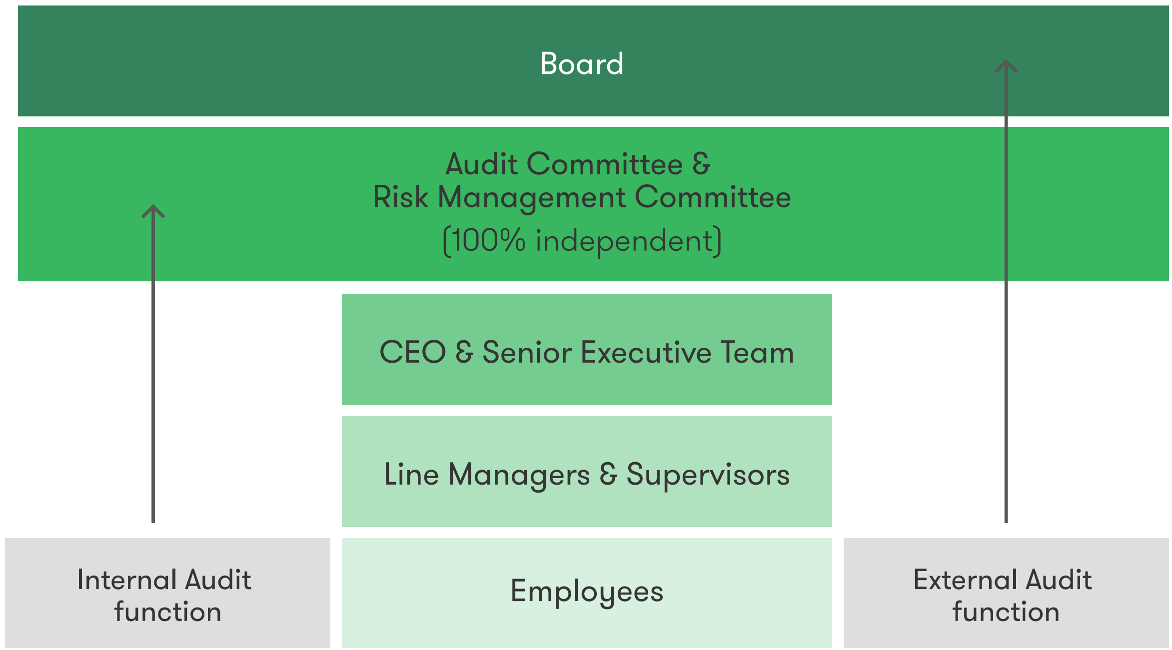
Risk Management.

The Board recognises that risk is an inherent part of AVJennings' business. Identification and management of risk is central to delivering AVJennings' strategic and operational objectives. Risk may manifest in many forms and have potential to impact AVJennings in areas such as health and safety, environment, community, reputation, regulatory, operational, and information technology as well as market and financial performance. The Board recognises that understanding and managing risks within sensible tolerances is fundamental to creating long-term value for AVJennings' shareholders, financiers, customers, business partners, consultants, and the communities in which it does business.

Risk Oversight, Monitoring and Management

Responsibility for the AVJennings risk management framework rests with the Board, which sets the overall risk culture and determines the appropriate level of risk the Company is willing to accept. It oversees the establishment and implementation of a sound risk management system and periodically reviews its effectiveness. The Risk Management Plan is the primary mechanism to bring corporate, business and operational/functional strategies together, and to ensure appropriate risk mitigation initiatives are implemented. The plan is reviewed annually by the Risk Management and Audit Committees and approved by the Board.

AVJennings Risk Oversight & Governance Framework



Roles and Responsibilities

The Risk Management Committee is responsible for:

- Reviewing the risk profile of the Company to ensure that risk is not higher than the risk appetite determined by the Board.
- Ensuring that the Company is taking appropriate measures to achieve a prudent balance between risk and reward in both ongoing and new business activities.
- Assisting the Board in setting risk strategies, polices, frameworks, models and procedures in liaison with management.
- Overseeing implementation of the risk management framework.
- Monitoring work health & safety, the Company's treasury function and insurance program.

The Audit Committee is responsible for:

- Overseeing reviews of activities to determine the effectiveness of risk management and internal control processes.
- Overseeing the performance of the Internal and External Auditors.
- Reviewing the Company's full and half year disclosures.
- Reviewing the Company's tax regime and associated compliance.
- Reviewing related party transactions.

The CEO and members of the Senior Executive Team are responsible for:

- Supporting the ongoing implementation of risk management in all areas of the Company's operations.
- The identification, analysis, treatment, monitoring and evaluation, and reporting of significant risks in relevant portfolios and organisational units.
- Ensuring that staff understand their responsibilities with respect to risk management; and
- Fostering a risk-aware culture within their area of responsibility.

Line Managers and supervisors will ensure that staff within their areas understand their responsibilities in fostering a risk-aware culture and in implementing risk management practices.

All employees have a significant role in the management of risk within their area of responsibility.

The Internal Auditor:

- Operates under the Internal Audit Plan, Risk Management Plan, Fraud Risk Assessment & Management Plan approved by the Audit Committee.
- Operates independent of management and reports to the Audit Committee.

- Monitors the effectiveness and efficiency of business processes & policies.
- Monitors and reports on compliance with approved processes and policies.

The External Auditor:

- Operates under the External Audit Plan approved by the Audit Committee.
- Reviews financial reporting processes at full and half year.
- Provides assurance that financial reports are free from material misstatements
- Operates independent of management.

Risk Management Related Policies

AVJennings maintains a comprehensive set of policies and procedures which form an integral part of its governance and risk management framework. They include:

- A Code of Conduct which applies to all levels of management and staff.
- Financial & Personnel delegations.
- Delegated approval authorities (Powers of Attorney and related policies).
- A Risk Appetite Statement.
- A Discrimination and Harassment Prevention Policy.
- A Whistleblower Policy.
- A Fraud and Corruption Prevention Policy.
- A Securities Trading Policy.
- A Shareholder Communication and Continuous Disclosure Policy; and
- An Environmental Policy.

In addition, frameworks exist for Workplace Health and Safety, incidents, conflicts of interest and compliance reporting. Multiple levels of review exist for compliance reporting in respect of specific transactions, full and half year disclosures, with external audit review and sign off, as appropriate.

COVID-19 Response

The Risk Management Committee met fortnightly in response to the COVID-19 pandemic crisis over the period March to June 2020 to oversee initiatives implemented by senior management, from both a safety and operations perspective, in response to the crisis. These initiatives continued to apply in FY21 as the ongoing effects of the pandemic were felt, with intermittent lockdowns and border closures ordered by state and federal governments in Australia and New Zealand.

With the safety of our people, customers, suppliers and the wider community in mind, several initiatives were adopted, which included:

- Fast tracking flexible and remote working arrangements for staff as a priority, with team collaboration facilitated by Microsoft Teams technology and the Zoom platform.
- Modified leave arrangements for all staff, which continued up to the end of calendar year 2020.
- Staff engagement and involvement via regular surveys, competitions and communication.
- Increased visibility of the senior managers through regular virtual staff information sessions.
- A 20% reduction in Directors' fees for a period of three months, from May 2020 to July 2020.
- Senior executives foregoing LTI and STI awards due to vest in FY21.
- Scaling back non-critical expenses and implementing other cost saving measures.
- A review of supply chains, to identify items from overseas suppliers, what local supply channels were available and what alternative or substitute materials could be used.

Where possible, our sales centres remained open to facilitate customer interaction throughout the disruptions, with pre-arranged appointments, contactless check-in, social distancing measures, cleaning and hygiene practices.

Interactions were further supported by increased email communication, online content and support, including an online chat function.

With the gradual lifting of restrictions, staff members were allowed to return to the office with appropriate hygiene, social distancing and other safety measures in place.

Your Community Developer.

David Tripoussis, NSW Sales Manager
Donna Elayadi, National Marketing Manager

AVJennings continues to be one of the most recognised and trusted names in quality, affordable housing. We have been building the great Australian dream since 1932.

Voted by Australians as the Most Trusted Brand in the Property Developer category in the 2021 Reader's Digest Awards, our reputation has been built on quality, affordability, meticulous design and connectivity for our customers, whilst operating in a socially and environmentally responsible manner. Our focus is to create a lasting, positive legacy in everything that we do.

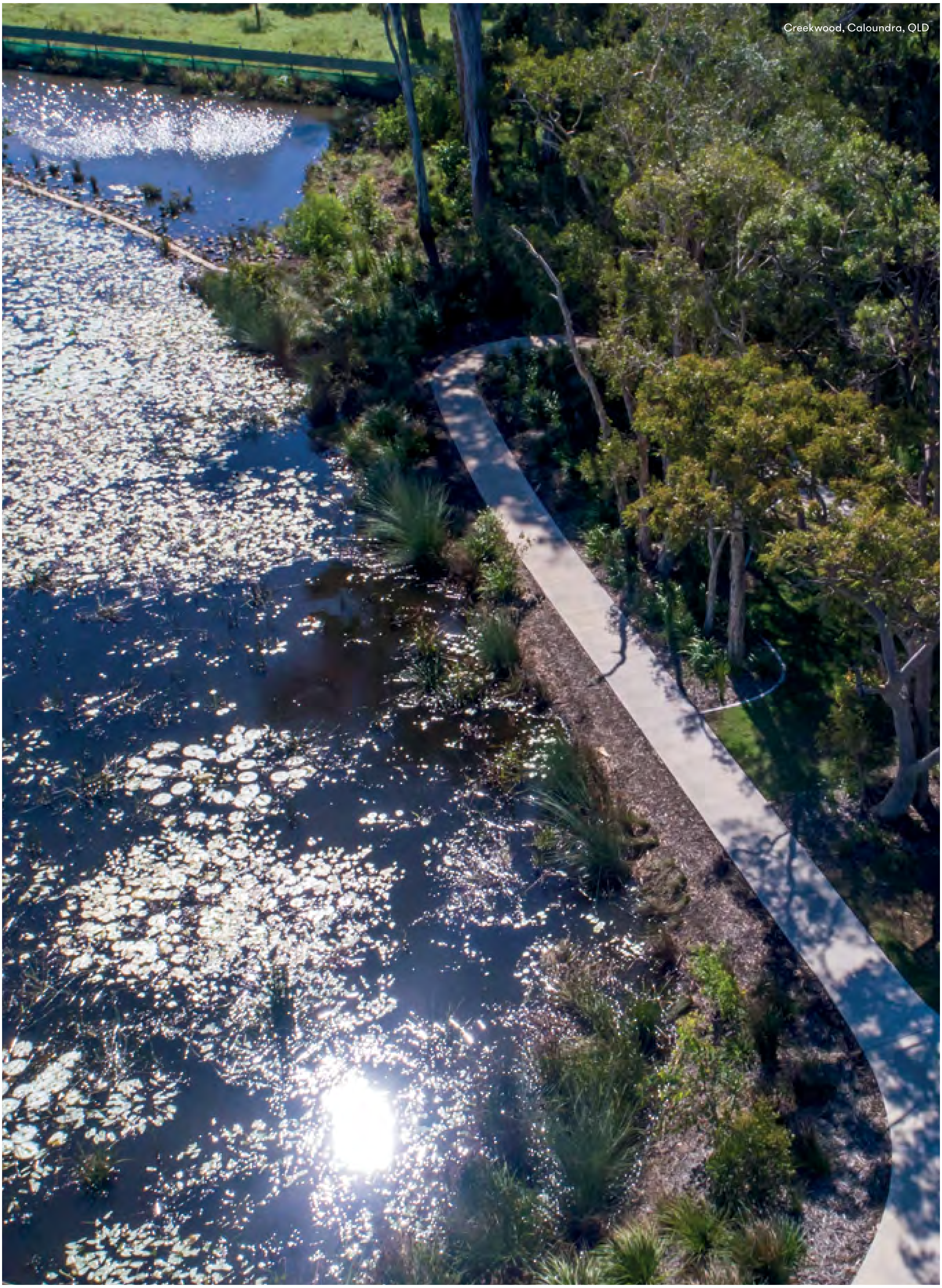
We recognise that providing housing is a basic need. It is a fundamental right for everyone to have a home. We are proud to be part of an industry which helps to meet that most basic of human need.

Environmental Sustainability

We recognise that there are risks of environmental impact through our residential development activities and strive to be an environmentally responsible organisation and minimise impact where possible, whilst balancing the need to provide housing for Australians and New Zealanders.

Our environmental policy sets out our main objectives to:

- Comply with all applicable statutory requirements, codes of practice, standards and guidelines.
- Embed environmental considerations in the planning and development process.
- Protect and encourage biodiversity, including preventing and mitigating biodiversity loss through our operations.
- Create and deliver environmentally responsible homes and communities.
- Take leadership in encouraging our stakeholders and suppliers to minimise pollution, waste and use of non-renewable energy resources, thereby reducing our and our customers' carbon footprint.



Creekwood, Caloundra, QLD

Proud owners of our first prefabricated walling system home at Evergreen, Spring Farm, NSW.

Harvest Square, Brunswick West, VIC
Artist Impression

How these Objectives are Implemented.

Our Master-planned Communities

With a focus on connectivity, our greenfield projects are located within designated urban corridors, close to major transport corridors where infrastructure already exists or is being built, encouraging the use of public transport where possible to reduce our residents' carbon footprint.

Our large greenfield projects in Lyndarum North, Wollert (VIC) and Arcadian Hills, Cobbitty (NSW), in addition to being within 1 kilometre of proposed rail transport corridors, also include amenities such as shopping precincts including speciality retail, community centres, schools, hospitals, cafes and community hubs within walkable catchments.

Our apartment and medium density projects such as Harvest Square in Brunswick West and Waterline Place in Williamstown (VIC), Prosper in Kogarah (NSW) and Arbor in Rochedale (QLD) are close to train stations and bus stops, providing great alternatives to transport by car.

Increases in dwelling densities in new communities reduces the footprint of land taken for housing, helping with environmental objectives of controlling urban sprawl. Smaller block sizes make them more affordable, particularly for first home buyers who make up a significant proportion of our customers.

Providing high quality usable amenity where we are developing is a fundamental part of our business. The parks, playgrounds, picnic areas, open spaces and walking trails are some of the key meeting points in our communities. They are the breakout spaces, spaces to play, areas to explore and relax. These areas have only become more important through the COVID-19 pandemic with lockdowns restricting movements of our residents to their local area. Our masterplans incorporate these recreational areas into our projects.

At our Lyndarum North, Wollert (VIC) community, approximately 29.2 hectares of land has been dedicated to parks and open spaces, incorporating BBQ areas, sports precincts, walking and cycling tracks.

Our Evergreen, Spring Farm (NSW) community features approximately 9 hectares of multiple family-friendly parks and reserves in both the east and south villages, with walking and bike tracks connecting each park and offering plenty of choice to enjoy and explore the area.

Efficient Design

We understand that the increasing cost of energy is a challenge for our residents and aim to integrate energy efficiency considerations into the design and construction of housing. Our built form products are assessed against the Nationwide House Energy Rating Scheme (NatHERS) to achieve the minimum 6 star rating mandated by governments across Australia.

During the planning of our communities, we use high levels of masterplanning expertise to optimise the passive solar asset of each allotment via carefully considered road patterns to set lot orientation. Further to this, where we augment our developments with AVJennings housing, our in-house designers carefully consider the attributes of each lot and match it to a product from our extensive design library to deliver synergistic house and land outcomes.

Recent Design Initiatives

Our design team recently undertook a successful initiative to build a house at our Evergreen, Spring Farm (NSW) community using a prefabricated composite walling system sourced from an Australian owned producer, with very encouraging results.

The prefabricated system replaces traditional on-site wall construction which uses separate and independent supply and fixing of components (frame, insulation, internal linings and external veneers/claddings), with a single wall that integrates all these things and is ready for paint finishes once erected.
Compared to traditional construction, this system was 4 weeks quicker to build, more cost effective, achieved 50% higher thermal efficiencies, had load bearing capacity up to 4 storeys and was also rated for extreme bush fire areas. Pleasingly, the home sold prior to completion and we propose to trial two more prefabricated builds in the near future. The walling system for these next 2 builds will arrive pre-installed with European-grade double glazed windows & sliding doors for even greater thermal efficiency. Early calculations indicate that these homes will have a thermal star rating of around 8.5.

COVID-19 Responsive Design

During the height of the pandemic and the resultant lifestyle restrictions, we carried out various research activities including workshops and surveys to investigate the real-life experiences that the crisis imposed on people.

The outcome of this research has been the development of a COVID-19 responsive design prototype, Project X, which is currently under construction, also at Evergreen in Spring Farm (NSW). The design includes features that cater for salient COVID 'pulse points' including touchless entry and sanitisation station; sound proofed multi-purpose room for home office, home schooling, exercise etc; and parcel delivery provisions for increased online shopping.

Harvest Square, Brunswick West (VIC)

The development at Harvest Square, Brunswick West (VIC) is to consist of 111 apartments over 2 buildings dedicated to Social Housing and, in addition, a component of 87 private dwellings including townhouses, apartments and 8 dwellings specifically for Women's Housing. Environmental remediation works on the project are nearing completion, with the commencement of basement construction forecast for Q4 of 2021. The development is designed to meet 5 Star Green Star (independently certified by Green Building Council Australia) and an average of 7 Stars NatHERS rating. To achieve these standards, the design contemplates a wholistic approach from design, construction and to ongoing operation.

Key performance criteria include indoor environment quality, energy consumption, transport, water, materials selection, land ecology, emissions and innovation practices.

What it will mean for our residents is a reduction in energy consumption, reduction of emissions, an increase in liveability and sustainability, and a reduction in living costs. To achieve 5 Star Green Star is considered Australian excellence and only a small number of residential housing projects have achieved this benchmark in Australia and even less for projects with incorporated social housing.

Alternative Energy

Solar panels are now a standard inclusion for AVJennings delivered housing at Rosella Rise at Warnervale (NSW) and have been included in the last 5 stages of development at Waterline Place in Williamstown (VIC). At Harvest Square, all dwellings will have solar panels.

Materials

Combustible cladding on apartment and office buildings has been a focus of building authorities across Australia. In our apartment projects all external materials are assessed to ensure that they comply with the regulations associated with combustible cladding. At Waterline Place in Williamstown (VIC), all the apartment buildings have external sprinkler systems on balconies to further help mitigate against the risk of external (balcony) fires on these buildings.

All materials used in our built form products conform to applicable Australian standards.

Water

In the areas in which we operate we are seeing on average an increase in temperature and dryer landscapes. Storm water management, the creation of water wise landscapes and the capture and reuse of rainwater are priorities in our developments.

The treatment of stormwater prior to leaving our development sites to maintain or improve downstream water quality is undertaken through Water Sensitive Urban Design. Wetlands, rain gardens and stormwater detention basins are constructed as part of our civil and landscape works in a variety of combinations on all of our master planned communities. Wetlands and rain gardens treat the water quality prior to it leaving the site and stormwater detention reduces the intensity (height) of flood peaks by retaining water onsite for a period of time.

The wetland system constructed at our Creekwood, Caloundra (QLD) project was a finalist at the recent QLD Urban Development Institute of Australia Annual Awards in the environmental excellence category. Rain gardens were constructed in Stage 1 of our Ara Hills, Orewa project in New Zealand.

A goal across all our projects is to reduce the use of potable water across our developments and in the houses we construct. Some examples of this are rainwater tanks as standard across our Eyre Community (SA) and Water Efficiency Labelling & Standards (WELS) rated appliances specified for installation at Harvest Square, Brunswick West (VIC).

Waste

Civil works on our sites are a source of emissions and our civil works contractors use heavy equipment to move large amounts of soil and rock across sites to achieve development and landscape levels. In consultation with our civil contractors, work is done to reduce vehicle movement across sites (and emissions associated with burning fuel). Where possible, excess soil and rocks are reused elsewhere within the project as fill or for landscaping, with the aim of reducing waste being sent to landfill. At Lyndarum North in Wollert (VIC) located in the basalt plains of Melbourne's northern suburbs, all excavated rock is recycled into crushed rock to be used for construction. During the initial construction on the site a mobile rock crushing plant was in operation providing crushed rock that was used for trench backfilling and base course material for footpath construction. Rock currently generated onsite is sent to a closely located quarry for crushing and reuse.

Contaminants and hazardous waste found on site is disposed of in line with applicable government regulations.

On our housing construction sites we are looking at ways to reduce and recycle waste. In Victoria all building construction waste is sorted onsite into different waste streams and removed for recycling via a specialist recycling contractor.

Protecting Biodiversity

We understand the importance biodiversity plays in sustaining healthy ecosystems and in supporting our health and wellbeing. Our land development activities can have significant impact on the surrounding environment, particularly in our greenfield sites, where development can impact surrounding bushland habitat and significant species in a particular location.

Mitigation measures include revegetation, relocation, allocation of land for woodlands, provision of offset sites, open spaces and reserves. They also include habitat preservation of significant fauna and flora identified on our sites, using the principles of Water Sensitive Urban Design to manage rain water runoff and protect wetlands habitat, and ongoing management of these initiatives.

Our Lyndarum North masterplan in Wollert (VIC) was designed around the preservation of the mature River Red Gum trees (estimated to be over 200 years old) that are scattered throughout the site. The trees are located in specific conservation reserves, large parks and small neighbourhood pocket parks. The River Red Gums set the character of the landscape setting for the masterplanned community and are celebrated throughout the development. Approximately 3.74 hectares of land was set aside as tree protection reserves, with a further 7.4 hectares dedicated to local conservation areas for flora and fauna preservation.

At our Evergreen, Spring Farm (NSW) community, 8 hectares of land was dedicated for the preservation of critically endangered Cumberland Woodplain and Elderslie Banksia Scrub Forest ecological communities.

More recently, we dedicated 4.7 hectares of land for preservation of habitat of the endangered squirrel gliders found near our Rosella Rise, Warnervale (NSW) community. The area set aside is a buffer zone to potential squirrel glider habitat that will be landscaped and revegetated through development works.

Management of biodiversity is also heavily regulated by state and local government bodies, underscoring the importance of preserving Australia's unique fauna and flora, and our land development activities are managed within these frameworks.

Cultural Heritage Management

Where cultural heritage issues, in particular cultural heritage items, relics and sites of First Peoples are identified on land which we intend to develop, these are managed respectfully, in consultation with local indigenous communities and within the terms of Cultural Heritage Management Plans agreed to by all interested parties.

Reconciliation Action Plan

A Reconciliation Action Plan, currently in development, will provide guiding principles as to how we proactively engage with First Peoples across Australia. Guidelines are also being developed for engagement with New Zealand's Māori people.

Climate Resilience

Extreme weather events, such as floods and bushfires have the potential to impact our operations, communities and the health and wellbeing of our residents. We are committed to creating climate resilient communities that are safe for our residents and can adapt to changing conditions.

All our developments are constructed in accordance with authority requirements and expert recommendations to manage these changes in climate. Where developments are constructed in proximity to a flood plain or area of inundation, housing is constructed with freeboard to the 1 in 100 year flood levels. The level of freeboard required varies depending on the location of the development, further reducing any risk of flooding.

Developments that are located on the urban fringe or adjacent to areas of grassland or bushland are assessed against the potential threat of fire. This assessment of the bushfire attack levels is a regulatory requirement, which then sets requirement for buffer zones in the urban design process for the development and housing design standards, which must be complied with.

Lyndarum North, Wollert, VIC

Creating and Supporting Communities.

We believe that housing matters and community matters. Everyone wants to feel like they belong. It's part of the human spirit. A home is part of a community, and for nearly 90 years, we have helped our customers build a brighter future by creating high quality residential communities that they feel a part of.

Our Communities

Communities are part of the urban fabric of great cities in Australia and New Zealand. Communities that are well connected and support each other are better places to live. We build infrastructure that supports our communities, such as roads, drainage systems and open space, integrating these with neighbouring communities and surrounding landscapes. Our master-planned communities include shopping precincts, cafes, medical centres and other services that are within walking distance, to support the needs of our residents. Our projects are located close to major transport hubs and train stations, to encourage the use of public transport where possible. Great attention is paid to landscape design, that includes parks, ovals, community hubs and sporting facilities to foster connectivity and inclusion, whilst also encouraging residents to be active and spend time outdoors.

We are pleased the feature park and playground completed recently at our Lyndarum North Project in Wollert (VIC) has proved to be extremely popular with our residents, as well as those from surrounding neighbourhoods. In Queensland, community parks at Cadence in Ripley and Riverton in Jimboomba are underway, soon to add additional amenity for residents.

We regularly engage with our communities by hosting family fun days, community and entertainment events that provide residents the opportunity to meet, engage with each other and get to know the people in their neighbourhoods, creating community spirit and making lasting friendships. Community based activities had to be scaled back in FY21 due the ongoing impacts of COVID-19, but we successfully ran Christmas lights and egg counting competitions at our Lyndarum North, Evergreen and Arcadian Hills communities to name a few, in which residents were able to participate remotely, with no risk around social distancing.

Our Customers

Having been in the business of building the dream of home ownership since 1932, we are proud that we are able to continue to help our customers achieve that dream.

Customer Engagement

We aim to engage with our customers at every touch point of their journey with AVJennings. From initial enquiry through to post purchase, our customers can connect with us in person or virtually at our Sales and Information Centres, or digitally via our website, live chat, social media or online community groups. Our customer surveys continually invite feedback and assess levels of satisfaction as our new purchasers and residents move through the stages of their home buying and home ownership experience.

Results indicate that 80% of our customers make a purchase decision within six months and are selecting an AVJennings home for design and quality.

Brand research reveals our customers most associate the terms 'professional', 'affordable' and 'trustworthy' with AVJennings.

More than 70% of our customers say that their AVJennings community has met or exceeded their expectations. Approximately 90% of our building customers are satisfied with their property purchase, and 85% of customers feel that their home represents good value for money.

Some quotes from our happy customers

'Approachable staff, Good quality home in my budget, Good amenities.'
- First Home Buyer at Anise (QLD)

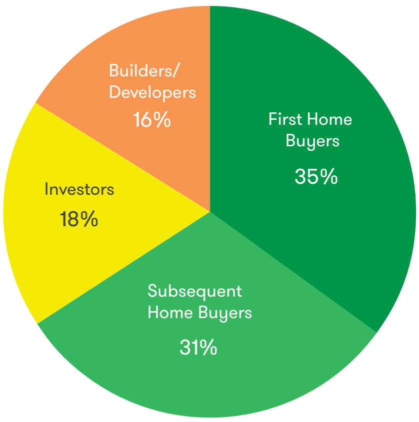
'I could not be happier, I have downsized to the home of my dreams. The size, the conveniences and necessities included in my purchase are everything I could ever wanted in my new home. Thank you AVJennings for a beautiful new home.'
- Home Buyer (NSW)

'With slightly larger blocks and a nice estate layout, we chose because of these things. Land was left empty for park lands etc.'
- Land Buyer, Riverton at Jimboomba (QLD)

We continue to promote and reward our customers' loyalty with our Refer a Friend and Repeat Purchaser programs.

Affordable Product

Every person deserves access to safe, quality affordable housing. Affordable housing is vital to protect the liveability of our cities. We aim to support this need by offering innovative housing and apartment design, appropriately sized land blocks that, whilst being affordably priced, satisfy the density requirements of councils and regulators and reduce urban sprawl. A significant proportion of AVJennings' customers are first home buyers. We are constantly looking for innovative concepts and affordable housing solutions that suit the changing lifestyles and livelihoods of our customers. Pleasingly, in FY21, work commenced on our Harvest Square, Brunswick West project in Victoria. The project is a partnership with the State Government of Victoria that will deliver 111 social housing dwellings and 8 dwellings specifically for community housing provider Women's Housing Limited, in addition to a private development comprising 29 townhouses and a 50-dwelling apartment.



Summer Housing Initiative, Waterline Place, Williamstown, Victoria

Established in 2017, Summer Housing's mission is to expand the range and scale of diverse housing options for people with disability living in, or at risk of admission to, residential aged care, particularly younger people. We were able to partner with Summer Housing to provide 11 modified apartments within our Empress Apartment Complex at Waterline Place, enabling residents with special needs to access their apartments and live comfortably within the complex. Modifications to existing product were required to meet the Liveable Housing Australia Platinum Level certification. These included adjustable joinery, ramping and set-downs/build-ups of flooring, assistive technology and many other elements, such as postboxes within reach for wheelchair bound residents. Pleasingly, settlements of the sale of these modified apartments to Summer Housing occurred in the FY21 financial year, with tenant demand for the apartments strong and residents expected to move into their new homes in the near future.

Essential Worker Promotion

In appreciation for their amazing efforts, we launched a special promotion for eligible purchasers employed in essential services and those classified as front-line workers in the management of COVID-19. With discounts of up to $25,000 offered for land purchases in selected projects, the campaign was considered an overall success.

Our People

One of our important communities is our people. AVJennings prides itself on being an equal opportunity employer and we offer a diverse and inclusive workplace, where everyone feels safe and supported. It is the talent, passion, dedication and hard work of our people that underpins the continued success of our Company.

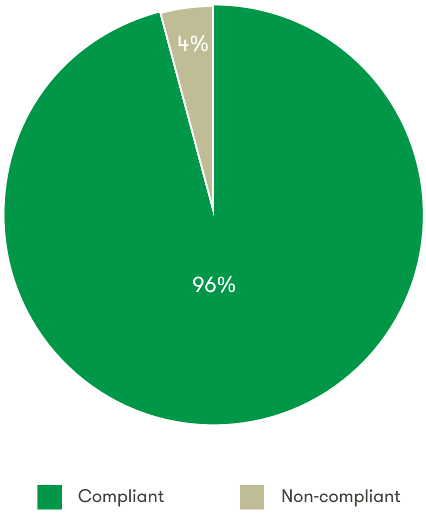
We recognise our people through our Service Awards program, our annual employee awards including the prestigious CEO Award. Our annual scholarship program, The Bob Sutton Scholarship (named after a previous Chairman), continues to support the education and development of our employees and their immediate family members. In FY21, we were delighted to award the scholarship to the daughter of one of our Victorian based employees.

An AVJennings mentoring program was implemented in FY21. The program is designed to create an environment where mentoring is valued, supports self-development and allocating time for mentoring is valued.

Workplace Health & Safety

Living our value of Safety, our focus is to ensure the health, safety and welfare of all employees, contractors, clients, visitors on site and members of the public who come into contact with our Company's operations. We strive for continuous improvement in WHS management and to fulfil our legal obligations with regard to health and safety at all times.

Formal site inspections occur on all AVJennings' controlled sites and during FY21, over 1,000 inspections focusing on Health, Safety and Environment were completed across our workplaces. Included in this number are inspections, as required, for site specific tasks/plant and COVID-19 related matters. Our HSE team also undertook actions to continue to support all employees, particularly those impacted by COVID-19 lockdown restrictions. Built form site inspections showed 96% compliance.



Wellbeing

2020 saw the establishment of a mental health support program for employees and their families via AccessEAP, a leading provider of employee assistance programs in Australia. In 2021, the AVJ Wellness Hub was launched. The hub provides all employees with an array of wellness resources and information, with the aim to promote both physical and mental health and a core focus on positive wellbeing. AVJennings employees also have access to numerous corporate benefits through the hub, including resources from AccessEAP, the staff superannuation fund and HSBC as part of its Corporate Partners Program.

Our parental leave policy has seen 100% of employees on parental leave returning to work during FY21. In late 2020, we also enhanced our flexible working arrangements to ensure that it works for both the business and all our employees.

Employee Engagement

We conduct employee engagement surveys annually to measure satisfaction levels. Pleasingly, improvements in overall scores were recorded in FY21, in areas such as work environment, teamwork, and health and wellbeing compared to FY20. Supportive, friendly, positive, respectful and fun were identified by respondents as key attributes contributing to positive team culture. We had a strong response rate in 2021 with 79.4% of employees participating in the survey. An overall engagement score of 4.2 (out of a possible 5) was recorded in FY21, compared to 3.90 in FY20.

Diversity

We recognise that a talented and diverse workforce is a key competitive advantage. We are committed to seeking out and retaining the best people and leveraging their diverse backgrounds, experience and perspectives to provide improved services for our customers and return for our shareholders. We believe that promoting diversity, where differences are tolerated, inappropriate attitudes and behaviours are confronted and equal opportunity for advancement is provided, contributes to a positive culture and business success. It also encourages diversity of thought – fostering greater innovation due to different perspectives and increases our ability to recruit people with the best skills and attributes.

Gender Diversity

In FY21, 45.5% of our workforce was female. The proportion of women in senior management positions and on the Board was 22% and 12.5% respectively. We will continue to pursue opportunities to promote and attract more females to senior management positions, through career development opportunities and our talent acquisition processes.

Our Suppliers

Our supply chain includes all organisations from which we source goods and services used in our business. We recognise that development of long-term business relationships with key suppliers who share our values and behaviours is key to maintaining a sustainable supply chain. We regularly engage with key suppliers and subcontractors to ensure ongoing support for our business.

We published our first Modern Slavery Statement in FY21 and will continue to engage with our suppliers to ensure they share our commitment to limiting the risk of modern slavery infiltrating our supply chains. A Policy that sets out our position on Modern Slavery has been developed and will be communicated to our suppliers and all staff involved in procurements. We are also in the process of introducing into our procurement practices specific requirements that prohibit modern slavery practices, in the form of a supplier Code of Conduct.

Our Shareholders

As a listed public Company, we take our responsibilities of creating shareholder value and disclosure obligations seriously. Our Australian based Directors, particularly our Deputy Chairman, Managing Director, Chief Financial Officer and Company Secretary engage regularly with institutional investors, research analysts and individual investors through briefings on a scheduled (release of half and full year results) and ad-hoc basis (at other times during the year). We place importance on these interactions as it allows AVJennings to articulate its strategy and also to receive feedback from investors on strategy, financial performance and governance.

In August 2020, we held our FY20 results announcement presentation via a webinar conferencing facility, which enabled shareholders to participate virtually and ask questions via the webinar portal. We also held our first Virtual Annual General Meeting in October 2020, providing an opportunity for shareholders on our Singapore register to participate in the meeting in real time. The virtual meeting allowed ease of attendance and as a result, we had the largest shareholder attendance in recent years.

Proud sponsors of

STEVE WAUGH FOUNDATION

FIREBIRDS QUEENSLAND

ST. K. F. C. FORTIUS QUO FIDELIUS

Creekwood Park Opening with Romelda Aiken from QLD Firebirds

Community Engagement

Our Valued Partnerships

Alongside our firm belief that Housing Matters, Community Matters, at AVJennings we are actively involved in supporting communities, it is at the core of everything we do.

While we work hard to create great places to live, we also contribute to the broader community through our long-standing partnerships, our bushfire and community relief program and aligning ourselves with company ambassadors, Steve Waugh AO and Laura Geitz who hold the same values we do.

Both Steve, former Australian cricket captain, and Laura, former Australian netball captain have led their country with distinction in their fields and since their retirements have continued to work actively in the community. Steve, mainly through his philanthropic work and Laura, through promoting a healthy and active lifestyle. Not only do they each epitomise dependability and high achievement, they are excellent role models.

In 2012, AVJennings became a proud corporate partner of the Steve Waugh Foundation. The Foundation supports children, young adults and their families living with a rare disease who have nowhere else to turn. To date we have raised over $1 million for the Foundation through various fundraising initiatives and activities. One of the major initiatives involves the construction of The Renee series of homes in which we are up to Number 6. With the drive of our people and the kind generosity of our suppliers who pitch in with labour and materials not only are we supporting the Foundation with proceeds of sale, but we are also providing our customer with a great place to live in a great community.

We are also proud sponsors of women' s sport supporting the Queensland Firebirds in the Super Netball League and more recently the inaugural sponsor of the St Kilda Football Club's AFLW team. Aligning ourselves with women's sport is important to us as we are firm believers that females are deserved of equal opportunity to play sport at an elite level and equally important is that they act as important role models to our people and our communities.

AVJennings also proudly sponsors the St Kilda Football Club who have led the way in promoting the value of inclusion and diversity.

In early 2020 AVJennings pledged $1 million over 4 years by establishing a Bushfire & Community Relief Fund in support of the bushfire crisis that impacted so many communities through the summer of 2019/2020 recognising that disaster recovery would be long and challenging. We immediately donated $250,000 to the Red Cross. In the second year our main contribution was to The Royal Flying Doctor Service who provide critical support to many of the communities impacted by natural disasters. We also donated to the Gippsland Emergency Relief Fund and GIVIT. Both of these organisations provide relief to ensure families and people devastated by natural disaster get exactly what they need to recover, where and when they need it.

In addition to these major partnerships, we also work closely with our project based local community and sporting groups to assist in promoting active and healthy lifestyles and connectivity especially in these trying times during the pandemic.

What makes these partnerships and alignments so important is also our people who give so much to the community not only in fundraising initiatives but also volunteering of their time. We support them in any which way we can. They are the epitome of the community spirit.

We are an organisation that champions community. Our partnerships are not chosen based on their marketability, but based on their values and like mindedness in championing community and connectedness.

Community matters.

Directors' Report.

The Directors of AVJennings Limited present their report together with the Financial Report of the Group (referred to hereafter as "AVJennings", "Group" or "Company") and the Auditor's Report thereon for the year ended 30 June 2021. 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
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
BL Tan	Non-Executive Director
P Kearns	Non-Executive Director
L Chung	Non-Executive Director (appointed on 1 June 2021)

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 $18.7 million (2020: $9.0 million).

DIVIDENDS

Dividends paid during the financial year were as follows:

Cash dividends declared and paid	**2021 $'000**	**2020 $'000**
2019 final dividend of 1.5 cents per share, paid 20 September 2019. Fully franked @ 30% tax	-	6,093
2020 interim dividend of 1.2 cents per share, paid 27 March 2020. Fully franked @ 30% tax	-	4,875
2021 interim dividend of 0.7 cents per share, paid 26 March 2021. Fully franked @ 30% tax	2,843	-
Total cash dividends declared and paid	**2,843**	**10,968**

Subsequent to the end of the financial year, the Directors have declared a fully franked final dividend of 1.8 cents per share to be paid on 23 September 2021 (2020: $Nil). The Dividend Reinvestment Plan (DRP) remains suspended.

OPERATING AND FINANCIAL REVIEW

Financial Results

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

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

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

Dividend

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

Business Overview

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

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

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

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

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

Directors' Report.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Balance Sheet and Land Holdings

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

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

Outlook

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

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

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

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

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

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

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The prospects and business strategies of the Group are discussed in the operating and financial review 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.

CHANGE IN STATE OF AFFAIRS

The Australian Federal Government first introduced COVID-19 pandemic-related activity constraints in early February 2020, with various other levels of Government in Australia and New Zealand subsequently implementing complementary measures aimed at protecting public health. These have chiefly consisted of various levels of restraint of business and social activity that are imposed for limited periods of time in response to local outbreaks of the virus. Most of the more severe constraints were relaxed during the first half of fiscal 2021, following which economic activity in the Company's key markets gradually strengthened. The post-balance date reintroduction of severe constraints on activity in New South Wales and Victoria, and to a lesser extent in Queensland and New Zealand, have the potential to negatively affect public perception of the prevalence of the virus, consumer and business confidence, outlook and the way in which the Company conducts business.

INFORMATION ON THE DIRECTORS

Simon Cheong *B.Civ.Eng. MBA*

Director since 20 September 2001. Mr Cheong has over 35 years experience in real estate, banking and international finance. He is the founder and currently serves as Chairman and Chief Executive Officer of SC Global Developments Pte Ltd. (the ultimate holding company). He 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 till 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 since 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.

Bobby Chin *CA (ICAEW) B.Acc.*

Director since 18 October 2005. Mr Chin is currently the Chairman of NTUC Fairprice Co-operative Ltd, NTUC Fairprice Foundation Ltd and the Housing & Development Board. He is the Deputy Chairman of NTUC Enterprise Co-operative Ltd and a Director of Singapore Labour Foundation. He also serves as Chairman of the Singapore Corporate Governance Advisory Committee. 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, Member of Nominations Committee.

Directorships held in other listed entities:

Ho Bee Land Limited, since 29 November 2006.

Other Directorships:

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

Frasers Logistics & Commercial Asset Management Pte Ltd since 29 April 2020.

Directors' Report.

INFORMATION ON THE DIRECTORS (CONTINUED)

Bruce G Hayman

Director since 18 October 2005. Mr Hayman has many years of commercial management experience with over 20 of those at operational Chief Executive or General Manager level. He is currently Chairman of Chartwell Management Services. 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 Deputy Chair of Diabetes NSW & ACT. Resident of Sydney.

Responsibilities:

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

Directorships held in other listed entities:

None.

Lai Teck Poh *BA 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, Chairman of Remuneration Committee, Member of Audit Committee, Member of Investments Committee.

Directorships held in other listed entities:

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

Other Directorships:

Bank of Singapore Limited since 1 January 2020.

Tan Boon Leong *DipUrbVal (Auckland University, NZ)*

Director since 9 June 2017. Mr Tan has over 36 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. 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. Resident of Singapore.

Responsibilities:

Non-Executive Director, Member of Investments Committee.

Directorships held in other listed entities:

None.

Philip Kearns AM *BA (Economics); Grad Dip (Applied Finance)*

Director since 21 March 2019. Mr Kearns has over 15 years' experience leading financial services organisations where he led significant cultural change and was instrumental in building a client base and introducing investors to innovative opportunities, including in the property sector. Until recently he was a Director of Venues NSW, a Government Board that owns and operates multiple sports and entertainment venues across New South Wales. He is a director of Coolabah Capital Investments, a private fixed interest funds management business. He was previously the Managing Director and CEO of InterRISK Australia Pty Ltd, a division of ASX listed AUB Group and prior to that CEO of Centric Wealth where he gained experience in the private equity world.

Mr Kearns was appointed a Member of the Order of Australia in 2017 for significant service to the community through support for charitable organisations, to business, and to rugby union at the elite level. He played 67 tests for the Australia national rugby union team, Wallabies (1989-1999) and captained the team ten times. Resident of Sydney.

Responsibilities:

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

Directorships held in other listed entities:

None.

INFORMATION ON THE DIRECTORS (CONTINUED)

Lisa Chung AM *LLB, FIML, FAICD*

Director since 1 June 2021. Ms Chung is an experienced non-executive director and is currently a Director of Australian Unity Limited, Artspace/Visual Arts Centre Limited and Warren and Mahoney Limited. She is also Chair of The Front Project and a Trustee of the Foundation of the Art Gallery of NSW. She was previously the Chair of Urbis Pty Limited and The Benevolent Society, a non-executive director of APN Outdoor Limited and the Deputy President of Trustees of the Museum of Applied Arts and Sciences (Powerhouse Museum).

Ms Chung has a diverse background, with senior and board level experience in sectors including commercial property, urban development and infrastructure, outdoor advertising and mass media, professional services, education and training, visual and creative arts and social and community services.

Ms Chung had a successful 30-year career in the legal profession. During this time, she specialised in the area of commercial property and was a Partner at firms Maddocks and Blake Dawson (now Ashurst). She is a skilled negotiator with extensive commercial legal experience acting for government and the private sector in property, development, urban renewal and infrastructure transactions.

In 2004, Ms Chung completed the Advanced Management Program at INSEAD in France. She is a Fellow of the Australian Institute of Company Directors and is also a member of Chief Executive Women, an organisation comprising women leaders committed to enabling other women leaders.

In 2020, Ms Chung became a Member of the General Division of the Order of Australia for significant service to the community through charitable and cultural organisations. Resident of Sydney.

Responsibilities:

Non-Executive Director, Member of Risk Management Committee.

Directorships held in other listed entities:

Australian Unity Limited.

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 Ltd. 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)

A. Introduction

The AVJennings Limited Board is pleased to present the Remuneration Report for FY21 in accordance with the requirements of the *Corporations Act 2001* (the Act). The Report has been audited as required by section 308(3C) of the Act.

This Report not only sets out the long term approach to remuneration for Key Management Personnel (KMP) and all staff, but also the effect of initiatives adopted in FY20 in response to the impact of the COVID-19 pandemic which flowed into FY21.

The Board intends that the Report provides clear and transparent communication of the remuneration arrangements in place for the Company's Directors and executives. These arrangements are intended to align remuneration with the Company's values, purpose, strategy and performance.

Our purpose is straightforward: "Housing Matters. Community Matters." This is achieved through our people who live our Values, which include integrity, accountability, customer focus, safety and teamwork.

The Company's remuneration arrangements are structured to attract and retain high quality people and remunerate them for achieving against our objectives and acting consistently with our values and purpose. Remuneration arrangements are reviewed regularly by the Remuneration Committee and adjustments and redesign made where considered appropriate, balancing alignment with the Company's own specific circumstances, fairness to executives and taking into account market expectations and industry standards.

B. Persons covered by the Report

This Report sets out the remuneration arrangements in place for KMP, which comprises the Directors of the Company (executive and non-executive) and those members of the AVJennings executive team who have authority and responsibility for planning, directing and controlling the activities of the Company (Executive KMP).

The name and position of each KMP for FY21 whose remuneration is disclosed in this Report is set out below:

(i) Directors

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

(ii) Executives

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

C. Remuneration Framework

1. Remuneration Governance

The Board has established a Remuneration Committee comprising not less than three Non-Executive Directors (NEDs) which is responsible for determining and reviewing remuneration arrangements for KMP, other senior management personnel and general staff.

2. Remuneration Objectives

AVJennings' remuneration objectives are to remunerate fairly, attract and retain talent, drive performance, promote adherence to values, and are aligned with shareholder interests. They are also designed to provide an appropriate balance between fixed and at-risk components to support the Company's objectives and strategy and promote sustained growth in shareholder value.

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. Securities Trading Policy

The Company has adopted a Securities Trading Policy (available on the Company's website Investor Centre). In accordance with this Policy, executives are prohibited from hedging the risk associated with unvested equity-based incentives. Breach of this requirement could lead to disciplinary action including dismissal and forfeiture of equity-based incentives. The Policy also provides for blackout periods for trading in the Company's shares around reporting season as well as prohibitions on insider trading and breach of confidentiality obligations to the Company.

4. Cessation of Employment

Where an executive resigns or is terminated for cause, any unvested awards are forfeited unless otherwise determined by the Board. In exercising this discretion, the Board considers the circumstances of the cessation of employment.

5. 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 2021.

6. 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 45.

ii) Other Executives

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

7. 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 39 and 45. The Directors are the same as those identified in the *Directors' Report*.

The discussion in this Report mainly addresses the formal remuneration structure which is in place and applies to remuneration arrangements in a typical year. The unexpected COVID-19 crisis has had a significant impact on the Company, the residential property industry and more broadly, on the Australian economy in both FY20 and FY21. The Company put in place a range of initiatives approved in May 2020 to address the impact of the COVID-19 pandemic. Many of these initiatives had an impact well into FY21.

The initiatives adopted and referred to above included a number of changes to remuneration arrangements and these are outlined below:

- NED fees were reduced by 20% for the three months May to July 2020.
- The SC Global Management and Consultancy fee was reduced by 20% for the three months May to July 2020.
- Executive KMP and other executives agreed to forgo any Short Term Incentive (STI) award in respect of FY20 which would have been paid in August 2020.
- Executive KMP and other executives agreed to cancel all Retention Rights due to be tested for vesting in July 2020.
- Executive KMP and other executives agreed to cancel all Long Term Incentive (LTI) Rights due to be tested for vesting in September 2020.
- Implemented Annual Leave management strategies, which ran until the end of December 2020.

Cancellation of the Retention Rights and the Performance Rights saved the Company the cost of acquiring shares on market to meet vesting obligations. Refer to Section I for details.

8. Remuneration Report at FY20 Annual General Meeting (AGM)

At the Company's 2020 Annual General Meeting (AGM), of the eligible votes cast on the Remuneration Report, 18.37% were against the Report. This meant that the Company did not record a Second Strike on the Report. The Company has periodically reached out to certain shareholders to ascertain whether there were any specific concerns, but no response has been provided. The Company did not receive any specific feedback at the AGM on its remuneration arrangements.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

9. Addressing Feedback

The Company is aware of previous commentary on the Company's Remuneration Report for the last two years from proxy advisers. This feedback indicated that concerns were held in relation to the following:

- The Return on Equity (ROE) component of the LTI Plan was not considered appropriate. In response to this, the Remuneration Committee determined at a meeting in February 2020 to replace the ROE hurdle with a Total Shareholder Return (TSR) hurdle for all grants made in FY21 and beyond. Further details are provided on page 42;
- The Retention component was said not to satisfy the generally accepted term of measurement (3 years) for an LTI Plan. The Retention component of the remuneration structure is not part of the LTI Plan. It was designed as a tool to promote stability in executive ranks; minimise disruption, cost and adverse effects of high turnover in executive ranks; and to ensure that all executives had a meaningful shareholding in the Company to align interests with shareholders. For this reason, it was determined to make the retention award as a grant of rights rather than a cash payment;
- The readability of the Report could be improved. As a result, the Report has been revamped to make it easier to follow and provide more detail; and
- Concern with the level of disclosure in relation to the LTI Plan, specifically in relation to a change of control event and whether Rights participated in dividends. These matters are addressed in section G.

The Company will continue to consult with shareholders and their representatives to ensure its remuneration practices balance the need to meet the objectives of the remuneration practices and the need to be consistent with prevailing community standards.

10. Framework

The remuneration framework is designed to align executive interests with Company success and long- term shareholder value. The framework discussed below is the structure which applies in a typical year. The structure consists of several components:

For NEDs – this is Directors' fees. These are annual fees paid monthly to Australian based Directors (together with the superannuation guarantee payment) and paid quarterly to Singapore based Directors (to which no superannuation payment is applicable). These arrangements do not include SC Global nominated Directors, as noted in section D2. NEDs agreed to a reduction in their fees of 20% for the period 1 May to 31 July 2020.

For Executive KMP, this is made up of:

Fixed remuneration – which is made up of base salary and superannuation guarantee payments. Target fixed remuneration is set at or below market median which creates a deferred salary component which is "at risk" under the STI component.

Short Term Incentives – which is at risk and is based on satisfying key performance measures which include a range of financial and non-financial targets. This award is paid in cash and was historically paid in August each year. For the FY20 year, executives agreed to forgo the STI payment which would have been paid in August 2020.

Long Term Incentives – this is a long term (3 year) equity plan under which Performance Rights are granted annually subject to performance conditions. The Rights are granted with 50% subject to the Earnings Per Share (EPS) hurdle and 50% to the TSR hurdle from FY21. The Rights are tested against performance hurdles at the end of 3 years from grant date in September of the relevant year. In June 2020, executives agreed to cancel all Performance Rights which were due to be tested in September 2020 to determine vesting.

The TSR measure was introduced in February 2020 to replace the former ROE component of the Performance Rights which uses market capitalisation as a proxy for equity. The TSR hurdle applies to grants under the LTI from FY21 onwards. The old ROE hurdle will apply to grants which were made in FY19 and FY20.

Retention Component – this is an equity award and is granted annually and vesting as to one third after the first, second and third anniversaries of the grant. Rights are granted and these may vest into shares once the service conditions are met. The Retention Rights are a retention tool designed to promote stability in the executive ranks and minimise disruption, cost and adverse effects of high turnover. In June 2020, executives agreed to cancel all Retention Rights which were due to vest in July 2020.

In lieu of a higher fixed remuneration base, a portion of remuneration is "at risk". 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).

REMUNERATION REPORT (AUDITED) (CONTINUED)

Allocation of Remuneration between Components is as follows:

	Fixed Remuneration (%)	Total at Risk (%)	Split of Total at Risk		
			STI at Risk (%)	Retention at Risk (%)	LTI at Risk (%)
CEO	50	50	70	15	15
COO	70	30	50	25	25
Other executives	75	25	50	25	25

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

- The objectives that the Board seeks to achieve and the behaviours which support that outcome;
- The desirability of Executives having equity interest in the Company so as to better align their interest with shareholders;
- Market practice; and
- The service period before Executives can receive equity rewards.

11. Group Performance

The STI and LTI are linked to performance against Key Performance Measures (KPMs). These are itemised in sections F and G. KPMs include performance measures linked to the financial performance of the Company, implementation of Company strategy and shareholder value, and are structured to foster achievement of certain financial metrics. The STI is focussed on short term performance over the preceding 12 months. The KPMs under the LTI are measured over the 3 years from grant date.

The KPMs are also linked to other non-financial metrics considered critical, including safety performance, people and leadership, risk management, and alignment with values and Company purpose.

The Remuneration Committee met on several occasions during 2020 to consider changes to the performance measurement structure. This has involved setting and assessing performance on quarterly targets in addition to assessment of annual performance. The Remuneration Committee has assessed targets and performance on a quarterly basis during FY21 and re-set targets as is considered necessary or appropriate in the circumstances, to ensure the Company remains agile and is responsive to changes in the operating environment.

The table below shows the Group's earnings performance as well as the movement in the Group's EPS, TSR and Market Capitalisation over the last 5 years.

Financial Report Date	Profit After Tax $'000	Basic EPS Cents	TSR* Cents	Market Capitalisation $'000	Return on Market Capitalisation %
30 June 2017	35,717	9.31	15.0	253,164	14.11
30 June 2018	31,347	8.13	10.0	278,074	11.27
30 June 2019	16,439	4.09	(12.5)	218,953	7.51
30 June 2020	9,041	2.23	(4.8)	188,897	4.79
30 June 2021	18,716	4.62	23.5	255,462	7.33

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

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

D. NED Remuneration Arrangements

1. NED Fee Pool

At the AGM in 2019, shareholders approved an increase in the maximum annual aggregate fee pool to $650,000 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 leave entitlement benefits or performance-based remuneration. Australian based NEDs receive superannuation payments.

2. SC Global Nominee Directors

For FY21, SC Global had two nominees on the Board, Mr S Cheong and Mr BL Tan. These two Directors do not receive fees. However, AVJennings pays a consulting fee to the Ultimate Parent Entity, SC Global Developments Pte Ltd. This consulting fee is not included in the NEDs fee pool.

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 fee payable is $600,000 and has been fixed at this level for over ten years. The agreement may be terminated by either party giving six months notice or by the Company on 30 days notice for cause. SC Global agreed to a 20% reduction in the consulting fee for the period 1 May to 31 July 2020.

3. NEDs Remuneration

(a) Approach to setting fees

NEDs receive a base fee for service as a Director and an additional fee for participation in a Committee. The Chair of a Committee receives a higher fee, reflecting the additional responsibility of that position. The Company's policy is to pay fees which are reflective of peer practice in the property sector and similarly sized entities, and which attract and retain directors with the desired attributes, skills and experience. The fees also reflect the time commitment which directors are expected to provide and the increased complexities and expectations of the office.

(b) Review

NED fees are reviewed on an ad hoc basis as considered necessary. As a matter of practice, fees have been stable for many years and the NED fee pool cap was not increased for almost 20 years until 2019.

(c) Board and Committee fees

Board		**Audit**		**Risk**		**Nominations**		**Remuneration**		**Investments**	
Deputy Chair	Member	Chair	Member	Chair	Member	Chair	Member	Chair	Member	Chair	Member
$70,000	$60,000	$30,000	$12,000	$30,000	$12,000	N/A	$6,000	N/A	$6,000	N/A	$8,000

As noted above, NEDs agreed to a 20% reduction in fees for July 2020.

No fee was payable for chairing the Nominations Committee, the Remuneration Committee and the Investments Committee for FY21.

REMUNERATION REPORT (AUDITED) (CONTINUED)

(d) Indemnification

Article 112 of the Company's constitution provides that to the extent permitted by law, it indemnifies a person who is or has been, an officer of the Company or any related bodies corporate against any liability incurred by the person as such an officer, to another person and against a liability for costs and expenses incurred by the person in successfully defending proceedings.

(e) Insurance premiums

Article 112 of the Company's constitution also provides that to the extent permitted by law the Company may pay or agree to pay a premium in respect of a contract insuring a person who is or has been an officer of the Company or its related bodies corporate against a liability incurred by the person as such an officer, and for costs and expenses incurred by the person in defending proceedings as such an officer, whatever the outcome.

During the year the Company paid premiums for policies insuring directors and officers of the Company and its related bodies corporate against certain liabilities, to the extent permitted by law and subject to certain exclusions. The amount of the premiums paid in respect of these policies has not been disclosed in accordance with usual practice.

(f) Fees paid

Fees paid to NEDs in FY21 is set out in the table below:

	Year	Short-Term Fees $	Post Employment Superannuation[2] $	Total $
S Cheong[1]	**2021**	**-**	**-**	**-**
	2020	-	-	-
RJ Rowley[3]	**2021**	**113,151**	**10,749**	**123,900**
	2020	111,233	10,567	121,800
E Sam[1][6]	**2021**	**-**	**-**	**-**
	2020	-	-	-
B Chin[3] [4]	**2021**	**94,400**	**-**	**94,400**
	2020	116,800	-	116,800
BG Hayman[3]	**2021**	**82,618**	**7,849**	**90,467**
	2020	81,218	7,716	88,934
TP Lai[3] [4]	**2021**	**85,000**	**-**	**85,000**
	2020	104,200	-	104,200
BL Tan[1]	**2021**	**-**	**-**	**-**
	2020	-	-	-
P Kearns[3]	**2021**	**71,842**	**6,825**	**78,667**
	2020	70,624	6,709	77,333
L Chung[5]	**2021**	**5,479**	**521**	**6,000**
	2020	-	-	-
Total	**2021**	**452,490**	**25,944**	**478,434**
Total	2020	484,075	24,992	509,067

(1) These Directors were not paid fees. A consulting fee of $50,000 per month is payable to the Ultimate Parent Entity SC Global Developments Pte Ltd which covers the services of these Directors. The fee for the month of July 2020 was reduced by 20% to $40,000 as part of actions taken to manage overheads in response to the COVID-19 pandemic. Total fee paid for the year was $590,000.

(2) Payments to Defined Contribution Plans consist of Superannuation Guarantee Contribution payments as well as employee voluntary contributions.

(3) NEDs also agreed to a 20% reduction in fees for the month of July 2020.

(4) A portion of the FY20 increase in fees paid to B Chin and TP Lai were due to a one-off timing of a payment.

(5) Appointed 1 June 2021.

(6) Retired 30 June 2020.

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

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

(g) Other transactions and balances with KMP and their related parties

During the year, the Board authorised a director, P Kearns to undertake negotiations with a range of parties in an effort to secure access to a pipeline of projects and alternative funding sources; to determine an appropriate corporate and financial structure to undertake these transactions; and to engage advisers to assist the process and document and implement these arrangements. Under the Board authority, special exertion fees were payable in respect of this undertaking to a related party of P Kearns of which he is a director and controlling shareholder. During the year, special exertion fees amounting to $222,950 were incurred (of which $75,000 were outstanding at 30 June 2021). The Board's authorisation expired on 30 June 2021.

E. Executive Fixed Remuneration

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

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. As a starting point, the TEC is typically set at or below market median for the position with adjustment as necessary to take account of the factors above, the need to secure talent and to motivate the right people to deliver on the Company's strategy.

The fixed component of remuneration of Executive KMPs is detailed on page 45.

F. Short Term Incentive (STI)

Executives participate in a STI plan which assesses achievement against KPMs. Each executive has KPMs that are aligned to company, business unit and individual performance. An STI payment is made 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 units and company performance.

As a response to the impact of COVID-19, Executive KMP and other executives agreed to forgo any STI award in respect of FY20. In addition, the Remuneration Committee had decided that for FY21, STIs and the associated KPMs will be set and determined on a quarterly basis, to ensure the Company remains agile and is responsive to changes in the operating environment.

STI payments are based on the scorecard measures and weightings disclosed below. These targets are set by the Remuneration Committee and align with the Group's strategic and business objectives. They are reviewed annually.

For FY21, the Chief Executive Officer (CEO) has a target STI opportunity of 70% of TEC, the Chief Operating Officer (COO) has a target STI opportunity of 21% and remaining Executive KMP and other executives have a STI opportunity of 17% of TEC.

The Remuneration Committee reviewed the overall weightings between Fixed and "At Risk" components of the executive remuneration arrangements. Reflecting where CEO fixed remuneration is positioned in comparison to competitors, the Committee approved an adjustment in weightings for the CEO, increasing the STI component for FY21 (in the context of COVID-19). The Committee also adjusted the "At Risk" component for the COO as shown in the table.

The performance conditions are designed to promote achievement of the Company's financial and strategic goals, which in turn should lead to shareholder returns. Targets are also designed to achieve strong operational disciplines. Non-financial targets are focussed on maintaining a sustainable business through improved safety performance; focus on customer satisfaction and service; and to implementation of strategy.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Financial and Business Performance

<table>
<tr><th></th><th></th><th>CEO</th><th>COO</th><th>Other SET[1]</th></tr>
<tr><td>Underlying Profit Performance</td><td>• Group profit before tax.
• Return on Net Funds Employed (NFE).</td><td rowspan="2">40%</td><td rowspan="2">50%</td><td rowspan="2">30% to 40%</td></tr>
<tr><td>Business Performance</td><td>• Operating cashflow.
• Gross margins.
• Appropriate and efficient capital management (efficiency of the Balance Sheet).
• Alignment of priorities and allocation of resources to bring about implementation of company strategy.
• Time (operational delivery against agreed timeframes) and quality (built form product).
• Improvement in underlying health of the Company.
• Risk management.</td></tr>
<tr><td>Strategic Initiatives</td><td>• Strategy objectives focussed on exploring growth opportunities for AVJennings.
• Development and implementation of strategy plans including growth through organic and corporate means, new business streams and strategic alignments.
• Growth in lots under control (three year).</td><td>30%</td><td>10%</td><td>-</td></tr>
<tr><td>Individual Performance objectives</td><td>• Aligned to strategic objectives.</td><td>-</td><td>20%</td><td>40% to 50%</td></tr>
</table>

Organisational Performance

<table>
<tr><th></th><th></th><th>CEO</th><th>COO</th><th>Other SET[1]</th></tr>
<tr><td>Customer and Stakeholder Performance</td><td>• Customer Advocacy.</td><td rowspan="3">30%</td><td rowspan="3">20%</td><td rowspan="3">20%</td></tr>
<tr><td>People</td><td>• Employee retention and engagement.
• Progress longer term inclusion and diversity objectives.
• Leadership – maintain a high performing team.
• Succession planning for key positions.</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>

(1) SET is an abbreviation for the Senior Executive Team.

The Remuneration Committee determines the STI to be paid based on an assessment of the extent to which the KPMs are met. Effective FY21, STIs are calculated quarterly and typically paid within two months of the end of the relevant quarter. The Committee has the discretion to adjust STIs upwards or downwards in light of unexpected circumstances or unintended consequences.

In making its assessments, the Committee considers the following factors:

- Performance in implementing Company strategy.
- Performance in the prevailing market.
- The financial result.
- Performance against individual KPMs.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

G. Long Term Incentive (LTI)

LTI grants are only made to executives who have the ability to impact the Group's performance and create shareholder value over the longer term.

LTI remuneration is provided by the issue of Rights with performance conditions. The use of Performance Rights as an incentive reduces upfront cash requirements (as shares do not need to be acquired for allocations). Shares are acquired on market by the Plan Trustee to satisfy the grant of shares in respect of rights which have vested. Participants do not receive dividends on Rights (as distinct from shares).

The allocation of Performance Rights is designed to align executives' interests with shareholders and to consider themselves like shareholders. The Rights are subject to real risk of forfeiture during the vesting period.

In response to the impact of COVID-19, Executive KMP and other executives agreed to cancel all Performance Rights due to be tested for vesting in September 2020. These Performance Rights were cancelled in June 2020.

LTI and Performance

The TSR measure was introduced in February 2020 to replace the former ROE component of the Performance Rights which used market capitalisation as a proxy for equity. The TSR hurdle will apply to grants under the LTI from FY21 onwards. The old ROE hurdle will apply to grants which were made in FY19 and FY20.

50% of Performance Rights granted vest depending on AVJennings' average growth rate in EPS over the three financial years of performance measurement.

50% of Performance Rights granted vest depending on AVJennings' TSR over the three financial years of performance measurement against the ASX 300 Real Estate Index, a comparator group including peers in the residential property sector. The comparator group is not directly comparable to AVJennings as the Index contains non-residential property participants. However, this comparator group was chosen as the best approximation as the pool of directly comparable listed developers was too small to provide a reliable and meaningful comparator group.

Both elements of the Performance Rights (EPS and TSR, formerly ROE) are also subject to a service condition. The recipient must be employed by AVJennings as at 30 June of the year in which the performance conditions of the Rights are tested. The Rights only vest if both the service condition and the performance conditions are satisfied.

The performance conditions are tested at the end of the three-year measurement period, in the September following release of the financial statements for that year. There is no re-testing. If the conditions are not satisfied when they are tested, the Rights are immediately forfeited.

In the event of a change in control of the Company, the Board can elect to vest unvested Rights.

As the LTI Plan is a Rights Plan, the securities do not qualify for dividend payments until the rights have vested.

The operation of the EPS, ROE and the new TSR 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% of the allocation for the hurdle
15%	75% of the allocation for the hurdle
> = 18%	100% (Straight line interpolation between 12% and 18%)

This ROE hurdle was removed in February 2020 and replaced with the TSR hurdle for grants for FY21 and beyond.

AVJennings' TSR rank against ASX 300 RE Index at 30 September	Percentage vesting
< median	Nil
At the median	50% of the allocation for the hurdle
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
> 75th percentile	100% of the allocation for the hurdle

REMUNERATION REPORT (AUDITED) (CONTINUED)

H. Retention

Retention Rights are granted in three equal tranches which vest in each of the three succeeding years following the year of grant.

In response to the impact of COVID-19, Executive KMP and other executives agreed in June 2020 to cancel all Retention Rights due to vest in July 2020 (which included three tranches covering FY18, FY19 and FY20).

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

Rationale for Retention Rights

The Company recognises that the TEC is generally set at around mid-market. It is also recognised that the market for quality executives is dynamic and that high turnover in executive ranks is undesirable, costly and disruptive. Accordingly, Retention Rights are granted to support a number of objectives:

- Address the issue of retaining executives;
- Avoid the disruption of turnover in executive ranks;
- Avoid the costs of recruitment of replacement executives; and
- Avoid the impact on operations, performance and productivity of executive turnover.

Unvested Retention Rights are subject to real risk of forfeiture, for example where an executive ceases employment for any reason.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

I. Remuneration Related Measures Taken in Response to COVID-19

	Maximum STI Opportunity Forgone $	Rights Cancelled: Service Rights Number	Rights Cancelled: LTI Performance Rights Number
PK Summers	218,397	268,505	403,993
CD Thompson	71,393	61,440	57,777
SC Orlandi	66,667	53,044	46,758
L Mahaffy	65,272	56,174	52,825
L Hunt	44,121	37,970	35,706
Executive KMP	**465,850**	**477,133**	**597,059**
Other Executives	**272,784**	**256,927**	**255,635**
Total	**738,634**	**734,060**	**852,694**

Executives agreed to a number of changes to remuneration arrangements in response to the COVID-19 crisis. The measures are outlined below:

- Executive KMP and other executives agreed to forgo any STI award in respect of FY20, which would have been paid in August 2020.
- Executive KMP and other executives agreed to cancel all Retention Rights due to vest in July 2020.
- Executive KMP and other executives agreed to cancel all LTI Rights due to be tested for vesting in September 2020.
- All office-based staff (including Executive KMP) agreed to arrangements to take annual leave over the period July 2020 to end December 2020 thereby reducing the Company's leave liabilities.

The cancelled Retention Rights were due to vest in early July 2020, subject to the executives being employed by the Company at 30 June 2020. All relevant executives (but for two who had resigned by 30 June), including all Executive KMP remained employed at that date and so all the Retention Rights would have vested, but for their cancellation in late June.

Cancellation of the Retention Rights saved the Company the cost of acquiring shares on market to meet vesting obligations. The share price at the time when those shares would have been acquired (early July) being the Volume Weighted Average Price for the first 5 trading days of July 2020 was $0.4753. If shares had been acquired at around that price, just for the Executive KMP (excluding other executives) the Company would have acquired 477,133 shares at a cost of $226,781 plus brokerage. In addition, the cancellation resulted in additional savings being made by avoiding the acquisition of shares for other executives. That is a real cash saving to the Company.

The Performance Rights were due to have the performance conditions tested to determine vesting in September 2020. The Performance Rights were cancelled in late June 2020 and therefore no testing took place in September 2020. Executives including Executive KMP agreed to cancellation of the Performance Rights and so saved the Company the cost of acquiring shares on market to meet any vesting obligation which may have arisen.

In addition, all employees (other than site and sales staff) including executives agreed to leave management arrangements over the period May – December 2020 to reduce the Company's leave liabilities.

REMUNERATION REPORT (AUDITED) (CONTINUED)

J. Remuneration Table

Executive KMP Awards (The Table should be read in conjunction with Section I as not all actions taken (as noted in Section I) are reflected in the Table below).

		Short-Term				Post Employment	Other Long-Term	Share-Based	Total	Performance Related
	Year	Salary $	Accrued Annual Leave $	STI $	Other [(1)] $	Superannuation $	Accrued Long Service Leave $	LTI [(2)] (includes Retention) $	$	%
PK Summers	**2021**	**578,066**	**5,436**	**436,795**	**26,693**	**21,694**	**27,025**	**187,732**	**1,283,441**	**39.70**
	2020	565,294	(2,131)	-	34,696	21,003	29,460	308,857	957,179	16.02
CD Thompson	**2021**	**410,410**	**1,545**	**71,393**	**-**	**21,694**	**14,632**	**50,597**	**570,271**	**15.32**
	2020	407,354	(10,194)	-	-	21,003	14,608	57,513	490,284	4.47
SC Orlandi	**2021**	**381,806**	**5,425**	**85,714**	**-**	**21,694**	**14,364**	**55,305**	**564,308**	**18.35**
	2020	378,997	30,488	-	-	21,003	33,921	50,829	515,238	3.72
L Mahaffy	**2021**	**373,373**	**674**	**65,273**	**-**	**21,694**	**20,480**	**46,261**	**527,755**	**15.14**
	2020	370,637	(15,775)	-	-	21,003	19,009	52,584	447,458	4.48
L Hunt	**2021**	**244,046**	**(2,266)**	**44,121**	**-**	**21,694**	**8,658**	**31,270**	**347, 523**	**15.54**
	2020	242,522	(6,326)	-	-	21,003	8,652	35,543	301,394	4.50
Total	**2021**	**1,987,701**	**10,814**	**703,296**	**26,693**	**108,470**	**85,159**	**371,165**	**3,293,298**	
Total	2020	1,964,804	(3,938)	-	34,696	105,015	105,650	505,326	2,711,553	

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

(2) The LTI figures represent the amount expensed by the Company in respect of the rights granted. The Rights are subject to service and performance conditions and accordingly, not all the Rights may vest. The amount the Executive KMP receives is different and is based on the shares that vest.

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration to Executive KMP in FY21

A summary of the statutory remuneration tables prepared in accordance with the Australian Accounting Standards is provided in the table on page 45.

Disclosures required in the remuneration report by the *Corporations Act 2001*, particularly the inclusion of accounting values for LTI rights awarded but not vested, including rights cancelled, can vary significantly from the remuneration actually paid to Executive KMP. As a general principle, Australian Accounting Standards require the value of share-based payments to be calculated at the time of grant and expensed over the vesting period. This may not reflect what Executive KMP actually received or became entitled to during the year.

Actual remuneration which crystallised in FY21

The table below is a voluntary non-statutory disclosure which is not prepared in accordance with Australian Accounting Standards. It is designed to provide greater transparency for shareholders and shows the actual remuneration each Executive KMP received (or was entitled to receive) during FY21.

	Salary $	STI Cash Bonus $	Other[1] $	Superannuation $	LTI Vested $	Total $
PK Summers	578,066	436,795	26,693	21,694	-	1,063,248
CD Thompson	410,410	71,393	-	21,694	-	503,497
SC Orlandi	381,806	85,714	-	21,694	-	489,214
L Mahaffy	373,373	65,273	-	21,694	-	460,340
L Hunt	244,046	44,121	-	21,694	-	309,861
Total	**1,987,701**	**703,296**	**26,693**	**108,470**	**-**	**2,826,160**

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

K. Equity Disclosures

Rights have been granted to Executive KMP as detailed in the table below.

The September 2017 Grant was made for the FY18 year (with final performance conditions testing in September 2020).
The September 2018 Grant was made for the FY19 year (with final performance conditions testing in September 2021).
The September 2019 Grant was made for the FY20 year (with final performance conditions testing in September 2022).
The September 2020 Grant was made for the FY21 year (with final performance conditions testing in September 2023).

The fair value of the Rights at the date of the Grant is determined by the Plan manager 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.

The following is the status of Rights granted to Executive KMP under the LTI Plans:

KMP	Year of Grant	Fair Value at Grant date	Rights at 1 July 2020	Rights granted	Rights vested	Rights forfeited	Rights cancelled	Rights at 30 June 2021
PK Summers	FY19	$395,702	531,068	-	-	-	-	531,068
PK Summers	FY20	$405,605	765,725	-	-	-	-	765,725
PK Summers	FY21	$187,179	-	450,996	-	-	-	450,996
CD Thompson	FY19	$69,652	83,260	-	-	-	-	83,260
CD Thompson	FY20	$71,395	127,675	-	-	-	-	127,675
CD Thompson	FY21	$71,385	-	171,999	-	-	-	171,999
SC Orlandi	FY19	$57,463	68,689	-	-	-	-	68,689
SC Orlandi	FY20	$66,669	119,224	-	-	-	-	119,224
SC Orlandi	FY21	$85,706	-	206,503	-	-	-	206,503
L Mahaffy	FY19	$63,682	76,123	-	-	-	-	76,123
L Mahaffy	FY20	$65,275	116,731	-	-	-	-	116,731
L Mahaffy	FY21	$65,267	-	157,256	-	-	-	157,256
L Hunt	FY19	$43,044	51,454	-	-	-	-	51,454
L Hunt	FY20	$44,122	78,904	-	-	-	-	78,904
L Hunt	FY21	$44,116	-	106,295	-	-	-	106,295
Total		**$1,736,262**	**2,018,853**	**1,093,049**	**-**	**-**	**-**	**3,111,902**

Directors' Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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/ (disposal)	Closing Balance
For the year ended 30 June 2021				
Directors				
S Cheong	219,112,839	-	-	**219,112,839**
PK Summers[(1)]	4,959,951	-	-	**4,959,951**
RJ Rowley	370,223	-	-	**370,223**
BG Hayman	235,000	-	-	**235,000**
P Kearns	25,000	-	-	**25,000**
Executives				
CD Thompson	1,860,987	-	-	**1,860,987**
SC Orlandi	565,480	-	-	**565,480**
L Mahaffy	293,366	-	-	**293,366**
L Hunt	385,523	-	-	**385,523**
Total	**227,808,369**	**-**	**-**	**227,808,369**
For the year ended 30 June 2020				
Directors				
S Cheong	218,881,388	-	231,451	**219,112,839**
E Sam[(2)]	224,820	-	-	**224,820**
PK Summers	4,830,262	479,689	(350,000)	**4,959,951**
RJ Rowley	270,223	-	100,000	**370,223**
BG Hayman	-	-	235,000	**235,000**
P Kearns	-	-	25,000	**25,000**
Executives				
CD Thompson	1,550,309	90,054	220,624	**1,860,987**
SC Orlandi	492,293	73,187	-	**565,480**
L Mahaffy	211,031	82,335	-	**293,366**
L Hunt	329,871	55,652	-	**385,523**
Total	**226,790,197**	**780,917**	**462,075**	**228,033,189**

(1) Subsequent to the end of the financial year, the shareholding increased by 257,868.

(2) Retired on 30 June 2020.

MEETINGS OF DIRECTORS AND DIRECTORS' COMMITTEES

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

	Full Meetings of Directors		Meetings of Committees							
			Audit		Remuneration		Nominations		Risk Management	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Cheong	4	4	-	-	3	3	1	1	-	-
RJ Rowley	4	4	3	3	-	-	1	1	5	5
PK Summers	4	4	-	-	-	-	-	-	-	-
B Chin	4	4	3	3	-	-	1	1	-	-
BG Hayman	4	4	-	-	3	3	1	1	5	5
TP Lai	4	4	3	3	3	3	-	-	-	-
BL Tan	4	4	-	-	-	-	-	-	-	-
P Kearns	4	4	-	-	-	-	-	-	5	5
L Chung*	4	1	-	-	-	-	-	-	-	-

*Appointed on 1 June 2021 and was eligible to attend one full meeting of Directors.

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	219,112,839
PK Summers	4,959,951
RJ Rowley	370,223
BG Hayman	235,000
P Kearns	25,000

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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 51.

Directors' Report.

NON-AUDIT SERVICES

The Group's auditor, Ernst & Young provided certain non-audit services as outlined in note 33. The Board has considered these and based on advice received from the Audit Committee, is satisfied that provision of these services is compatible with, and did not compromise, the auditor independence requirements imposed by the *Corporations Act 2001*, for the following reason:

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

Signed in accordance with a resolution of the Directors.

Simon Cheong
Director
27 August 2021

Peter Summers
Director

Ernst & Young
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Auditor's Independence Declaration to the Directors of AVJennings Limited

As lead auditor for the audit of the financial report of AVJennings Limited for the financial year ended 30 June 2021, 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

Glenn Maris
Partner
27 August 2021

Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2021 $'000	2020 $'000
Continuing operations			
Revenue from contracts with customers	2	311,090	262,354
Revenue		**311,090**	**262,354**
Cost of sales	3	(240,832)	(202,461)
Gross profit		**70,258**	**59,893**
Share of loss of joint ventures	26	(2,295)	(66)
Change in equity accounted investment provisions	3	1,554	(947)
Change in inventory loss provisions	3	(1,793)	(1,629)
Fair value adjustment to financial asset	10	-	(516)
Fair value adjustment to investment property	8	180	(190)
Selling and marketing expenses		(4,998)	(5,044)
Employee expenses		(22,148)	(23,531)
Other operational expenses		(5,650)	(6,210)
Management and administration expenses		(6,944)	(7,805)
Depreciation and amortisation expenses	3	(1,860)	(2,125)
Finance income	3	170	1,264
Finance costs	3	(330)	(393)
Other income	3	532	457
Profit before income tax		**26,676**	**13,158**
Income tax	4	(7,960)	(4,117)
Profit after income tax		**18,716**	**9,041**
Other comprehensive income (OCI)			
Foreign currency translation loss		(185)	(1,228)
Other comprehensive loss		**(185)**	**(1,228)**
Total comprehensive income		**18,531**	**7,813**
Profit attributable to owners of the Company		**18,716**	**9,041**
Total comprehensive income attributable to owners of the Company		**18,531**	**7,813**
Earnings per share (cents per share):			
Basic earnings per share	34	4.62	2.23
Diluted earnings per share	34	4.61	2.23

To be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	5	13,099	5,703
Receivables	6	46,030	23,036
Inventories	7	152,155	185,366
Tax receivable	4(c)	222	1,223
Other assets	9	3,613	3,522
Total current assets		**215,119**	**218,850**
Non-current assets			
Receivables	6	163	12,042
Inventories	7	388,662	401,997
Investment property	8	1,760	1,580
Equity accounted investments	26	4,895	5,636
Financial asset	10	-	1,695
Plant and equipment	11	2,010	1,883
Right-of-use assets	12	4,923	5,978
Intangible assets	13	2,816	2,816
Other assets	9	4,920	2,700
Total non-current assets		**410,149**	**436,327**
Total assets		**625,268**	**655,177**
Current liabilities			
Payables	14	32,335	16,540
Lease liabilities	16	1,189	1,542
Tax payable	4(c)	1,342	413
Provisions	17	7,070	5,848
Total current liabilities		**41,936**	**24,343**
Non-current liabilities			
Payables	14	15,545	27,546
Borrowings	15	138,549	190,110
Lease liabilities	16	4,054	5,060
Deferred tax liabilities	4(d)	15,066	14,039
Provisions	17	1,009	949
Total non-current liabilities		**174,223**	**237,704**
Total liabilities		**216,159**	**262,047**
Net assets		**409,109**	**393,130**
Equity			
Contributed equity	18	173,740	174,179
Reserves	19(a)	8,953	8,408
Retained earnings	19(c)	226,416	210,543
Total equity		**409,109**	**393,130**

To be read in conjunction with the accompanying notes.

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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 2019		**174,509**	**4,256**	**4,626**	**212,886**	**396,277**
Effect of adoption of new leases accounting standard		-	-	-	(416)	(416)
At 1 July 2019 (restated)		**174,509**	**4,256**	**4,626**	**212,470**	**395,861**
Comprehensive income:						
Profit for the year		-	-	-	9,041	9,041
Loss for the year		-	(1,228)	-	-	(1,228)
Total comprehensive income for the year		**-**	**(1,228)**	**-**	**9,041**	**7,813**
Transactions with owners in their capacity as owners:						
- Treasury shares acquired	18(b)	(330)	-	-	-	(330)
- Share-based payment expense reversed (lapsed rights)	32(a)	-	-	(225)	-	(225)
- Share-based payment expense	32(a)	-	-	979	-	979
- Dividends paid	20	-	-	-	(10,968)	(10,968)
Total transactions with owners in their capacity as owners		**(330)**	**-**	**754**	**(10,968)**	**(10,544)**
At 30 June 2020		**174,179**	**3,028**	**5,380**	**210,543**	**393,130**
At 1 July 2020		**174,179**	**3,028**	**5,380**	**210,543**	**393,130**
Comprehensive income:						
Profit for the year		-	-	-	18,716	18,716
Loss for the year		-	(185)	-	-	(185)
Total comprehensive income for the year		**-**	**(185)**	**-**	**18,716**	**18,531**
Transactions with owners in their capacity as owners:						
- Treasury shares acquired	18(b)	(439)	-	-	-	(439)
- Share-based payment expense reversed (lapsed rights)	32(a)	-	-	(70)	-	(70)
- Share-based payment expense	32(a)	-	-	800	-	800
- Dividends paid	20	-	-	-	(2,843)	(2,843)
Total transactions with owners in their capacity as owners		**(439)**	**-**	**730**	**(2,843)**	**(2,552)**
At 30 June 2021		**173,740**	**2,843**	**6,110**	**226,416**	**409,109**

To be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2021 $'000	2020 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		331,084	275,933
Payments to other suppliers and employees (inclusive of GST)		(253,876)	(246,123)
Interest paid	3	(8,231)	(10,144)
Income tax paid	4(c)	(5,008)	(9,031)
Net cash from operating activities	21	**63,969**	**10,635**
Cash flow from investing activities			
Payments for plant and equipment	11	(366)	(1,145)
Interest received	3	170	1,264
Net cash (used in)/from investing activities		**(196)**	**119**
Cash flow from financing activities			
Proceeds from borrowings		78,787	85,460
Repayment of borrowings		(130,348)	(95,685)
Principal elements of lease payments	16	(1,500)	(1,761)
Net payment for treasury shares	18(b)	(439)	(330)
Dividends paid	20	(2,843)	(10,968)
Net cash used in financing activities		**(56,343)**	**(23,284)**
Net increase/(decrease) in cash and cash equivalents		**7,430**	**(12,530)**
Cash and cash equivalents at beginning of the year		5,703	18,209
Effects of exchange rate changes on cash and cash equivalents		(34)	24
Cash and cash equivalents at end of the year	5	**13,099**	**5,703**

To be read in conjunction with the accompanying notes.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A – How the numbers are calculated

Section A1 Segment information

1. OPERATING SEGMENTS

The Group operates primarily in residential development.

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

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

Reportable Segments

Jurisdictions:
Land Development, Integrated Housing and Apartments Development activities are conducted within our jurisdictions.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A2 Profit and loss information

2. REVENUES FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

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

Operating Segments 30 June 2021	NSW $'000	VIC $'000	QLD $'000	SA $'000	NZ $'000	Other* $'000	Total $'000
Types of goods or services							
Sale of Land	19,565	16,263	50,271	10,836	42,850	-	139,785
Sale of Integrated Housing	56,755	20,644	13,453	11,164	1,515	-	103,531
Sale of Apartments	-	54,653	-	-	-	10,288	64,941
Property Development & Other Services	317	2,516	-	-	-	-	2,833
Total revenue from contracts with customers	**76,637**	**94,076**	**63,724**	**22,000**	**44,365**	**10,288**	**311,090**
Timing of revenue recognition							
Goods transferred at a point in time	76,320	91,560	63,724	22,000	44,365	10,288	308,257
Services transferred over time	317	2,516	-	-	-	-	2,833
Total revenue from contracts with customers	**76,637**	**94,076**	**63,724**	**22,000**	**44,365**	**10,288**	**311,090**

*Relates to Western Australia.

Operating Segments 30 June 2020	NSW $'000	VIC $'000	QLD $'000	SA $'000	NZ $'000	Other* $'000	Total $'000
Types of goods or services							
Sale of Land	48,324	19,512	31,409	7,457	25,317	-	132,019
Sale of Integrated Housing	65,299	23,909	8,700	8,759	7,747	-	114,414
Sale of Apartments	-	13,161	-	-	-	-	13,161
Property Development & Other Services	247	2,513	-	-	-	-	2,760
Total revenue from contracts with customers	**113,870**	**59,095**	**40,109**	**16,216**	**33,064**	**-**	**262,354**
Timing of revenue recognition							
Goods transferred at a point in time	113,623	56,582	40,109	16,216	33,064	-	259,594
Services transferred over time	247	2,513	-	-	-	-	2,760
Total revenue from contracts with customers	**113,870**	**59,095**	**40,109**	**16,216**	**33,064**	**-**	**262,354**

(b) Revenue recognition accounting policy

(i) Sale of land, integrated housing and apartments

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

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

- Revenue from sales of land on deferred terms to builders in New Zealand. The builder gains control of the land at the point when the contract is unconditional, physical works are complete and building can be commenced.
- Sales of englobo land on deferred terms. Control passes when the contract is unconditional, physical works are complete and the customer has unfettered rights to the land before settlement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

- Revenue from sales of land to builders in Australia where the builder is the ultimate purchaser and not a conduit between AVJennings and a retail purchaser. The builder gains control of the land at the point when the contract is unconditional, physical works are complete and building can be commenced.

(ii) Property development and other services

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

(iii) Financing components

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

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

3. INCOME AND EXPENSES

	Note	2021 $'000	2020 $'000
Revenues			
Revenue from contracts with customers	2	311,090	262,354
Total revenues		**311,090**	**262,354**
Cost of sales include:			
Utilisation of inventory provisions	7	(774)	(456)
Amortisation of finance costs capitalised to inventories		8,783	7,730
Impairment of assets			
(Reversal)/provision - equity accounted investment	26	(1,554)	947
Increase in inventory loss provisions	7	1,793	1,629

For the year ended 30 June 2021, the movement in inventory provision resulted from a realignment of future assumptions with current market conditions relating to projects in South Australia and Western Australia. For the prior year, the movement related to projects in Queensland and South Australia.

	Note	2021 $'000	2020 $'000
Depreciation and amortisation expense			
Depreciation of owned assets	11	236	284
Amortisation of right-of-use assets	12	1,624	1,841
Total depreciation and amortisation expense		**1,860**	**2,125**
Finance income			
Interest from financial assets held for cash management purposes		170	1,264
Finance costs			
Bank loans and overdrafts		7,911	9,809
Interest on lease liabilities		320	335
Total finance costs		8,231	10,144
Less: Amount capitalised to inventories		(7,901)	(9,751)
Finance costs expensed		**330**	**393**
Other income			
Rent from investment property		96	125
Sundry income		436	332
Total other income		**532**	**457**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX

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

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

	2021 $'000	2020 $'000
Accounting profit before income tax	**26,676**	**13,158**
Tax at Australian income tax rate of 30%	8,003	3,947
Net share of equity accounted joint venture loss	689	20
Other (non-assessable)/non-deductible items	(588)	205
Foreign jurisdiction losses	-	(16)
Effect of lower tax rate in foreign jurisdiction	(179)	(98)
Adjustment for prior year	35	59
Income tax expense	**7,960**	**4,117**
Effective tax rate	**30%**	**31%**

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

	2021 $'000	2020 $'000
Income tax expense	**7,960**	**4,117**
Timing differences recognised in deferred tax	(1,029)	931
Adjustment for prior year	(35)	(226)
Exchange rate translation difference	9	(7)
Current year tax payable at year end	(1,342)	(413)
Current year tax receivable at year end	222	1,223
Prior year tax paid in current year	(777)	3,406
Cash taxes paid per the *Consolidated Statement of Cash Flows*	**5,008**	**9,031**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	Opening balance $'000	Expense/ (benefit) $'000	Effect of [1] adoption of new accounting standard $'000	Foreign exchange variance $'000	Closing balance $'000
Deferred income tax movement for the year ended 30 June 2021:					
Deferred tax assets					
- inventories	3,187	305	-	-	3,492
- accruals	758	1,012	-	-	1,770
- employee entitlement provisions	1,730	78	-	-	1,808
- fair value other assets	822	(822)	-	-	-
- lease liabilities	1,900	(390)	-	-	1,510
- other	55	(16)	-	-	39
Deferred tax assets	**8,452**	**167**	**-**	**-**	**8,619**
Deferred tax liabilities					
- inventories	(17,999)	888	-	-	(17,111)
- fair value investment property	(183)	(54)	-	-	(237)
- unearned revenue	(1,068)	(1,888)	-	2	(2,954)
- prepayments	(44)	(13)	-	-	(57)
- brand name	(845)	-	-	-	(845)
- right-of-use assets	(1,713)	295	-	-	(1,418)
- other	(639)	(424)	-	-	(1,063)
Deferred tax liabilities	**(22,491)**	**(1,196)**	**-**	**2**	**(23,685)**
Net deferred tax liabilities	**(14,039)**	**(1,029)**	**-**	**2**	**(15,066)**
Deferred income tax movement for the year ended 30 June 2020:					
Deferred tax assets					
- inventories	2,835	352	-	-	3,187
- accruals	624	134	-	-	758
- employee entitlement provisions	1,674	56	-	-	1,730
- fair value other assets	-	822	-	-	822
- lease liabilities	-	665	1,235	-	1,900
- other	455	(400)	-	-	55
Deferred tax assets	**5,588**	**1,629**	**1,235**	**-**	**8,452**
Deferred tax liabilities					
- inventories	(18,274)	275	-	-	(17,999)
- fair value investment property	-	(183)	-	-	(183)
- unearned revenue	(992)	(101)	-	25	(1,068)
- prepayments	(66)	22	-	-	(44)
- brand name	(845)	-	-	-	(845)
- right-of-use assets	-	(656)	(1,057)	-	(1,713)
- other	(584)	(55)	-	-	(639)
Deferred tax liabilities	**(20,761)**	**(698)**	**(1,057)**	**25**	**(22,491)**
Net deferred tax liabilities	**(15,173)**	**931**	**178**	**25**	**(14,039)**

(1) For the year ended 30 June 2020, this is the effect of the Leases Accounting Standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX (continued)

(e) Tax consolidation legislation

AVJennings Limited and its wholly owned Australian controlled entities are in a Tax Consolidated Group (TCG).

The entities in the TCG 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 TCG 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section A3 Balance Sheet information

5. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash at bank and in hand	**13,099**	**5,703**

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.

6. RECEIVABLES

	2021 $'000	2020 $'000
Current		
Trade receivables	43,414	19,451
Related party receivables	1,613	822
Other receivables	1,003	2,763
Total current receivables	**46,030**	**23,036**
Non-current		
Trade receivables	-	8,963
Related party receivables	163	3,079
Total non-current receivables	**163**	**12,042**

(i) Accounting

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies the Standard's simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. RECEIVABLES (continued)

(ii) Expected credit losses

Negligible expected credit losses (2020: $Nil) have been recognised by the Group in the current year.

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

		Number of days overdue					
	Total $'000	**Not due $'000**	**0-30 $'000**	**31-60 $'000**	**61-90 $'000**	**+ 91 $'000**	**+ 91# $'000**
2021	**43,414**	**43,414**	**-**	**-**	**-**	**-**	**-**
2020	28,414	28,414	-	-	-	-	-

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 full settlement prior to passing of title.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVENTORIES

	Note	2021 $'000	2020 $'000
Current			
Broadacres			
Land to be subdivided - at cost		23,399	19,577
Borrowing and holding costs capitalised	7(a)	3,187	2,858
Impairment provision		(3,800)	(1,983)
Total broadacres		22,786	20,452
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		29,822	31,860
Development costs capitalised		24,574	31,098
Houses and apartments under construction - at cost		19,302	29,749
Borrowing and holding costs capitalised	7(a)	5,980	6,436
Total work-in-progress		79,678	99,143
Completed inventory			
Completed houses and apartments - at cost		30,056	37,338
Completed residential land lots - at cost		17,680	25,069
Borrowing and holding costs capitalised	7(a)	2,874	3,497
Impairment provision		(919)	(133)
Total completed inventory		49,691	65,771
Total current inventories		**152,155**	**185,366**
Non-current			
Broadacres			
Land to be subdivided - at cost		261,111	295,363
Borrowing and holding costs capitalised	7(a)	24,446	30,631
Impairment provision		(6,890)	(8,473)
Total broadacres		278,667	317,521
Work-in-progress			
Land subdivided or in the course of being subdivided - at cost		53,465	30,464
Development costs capitalised		31,778	29,356
Houses and apartments under construction - at cost		1,872	5,194
Borrowing and holding costs capitalised	7(a)	21,990	14,502
Total work-in-progress		109,105	79,516
Completed inventory			
Completed houses and apartments - at cost		413	3,458
Completed residential land lots - at cost		475	1,190
Borrowing and holding costs capitalised	7(a)	34	345
Impairment provision		(32)	(33)
Total completed inventory		890	4,960
Total non-current inventories		**388,662**	**401,997**
Total inventories		**540,817**	**587,363**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVENTORIES (continued)

(a) Borrowing costs attributable to qualifying assets are capitalised. These include interest and fees and have been capitalised at a weighted average rate of 4.19% (2020: 4.83%).

Accounting

Inventories are carried at the lower of cost and net realisable value (NRV).

Cost includes costs of acquisition, development, interest capitalised 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.

NRV is the estimated selling price in the ordinary course of business less the estimated costs to complete and sell the inventory. NRV is estimated using the most reliable evidence at the time, including expected fluctuations in selling price and estimated costs to complete and sell.

As at 30 June 2021, significant judgement was required in determining the appropriate estimates and assumptions to be used in determining the carrying value of inventory. COVID-19 and the Government's response to it significantly impacted our operations. Key assumptions and estimates impacted by COVID-19 include:

- forecast future sales and costs, based on the location, type and quality of residential property, recognise and incorporate the impact of COVID-19.
- the impact of government subsidies on the sale of residential property.

Movement in impairment provisions

	2021 $'000	2020 $'000
At beginning of year	10,622	9,449
Amounts utilised	(774)	(456)
Amounts provided	1,793	1,629
At end of year	**11,641**	**10,622**

8. INVESTMENT PROPERTY

The Group has an investment property at Waterline Place, Victoria. This relates to a retail space asset being held for long term yield and capital appreciation.

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

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

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT PROPERTY (continued)

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

Investment properties are measured as Level 3. Refer to note 23(v) for explanation of the levels of fair value measurement.

The impact of COVID-19 and the Government's response to it, has been incorporated in the measurement of fair value.

It is the policy of the Group for the Directors to review the fair value of each property every year, with reference to the most recent external valuation. The fair value for investment properties will be based on periodic, but at least triennial, valuations by qualified external independent valuers.

9. OTHER ASSETS

	2021 $'000	2020 $'000
Current		
Prepayments	2,950	2,792
Deposits	663	730
Total other current assets	**3,613**	**3,522**
Non - Current		
Development costs capitalised	4,920	2,632
Other Assets	-	68
Total other current assets	**4,920**	**2,700**

10. FINANCIAL ASSET

	2021 $'000	2020 $'000
Property Fund Units	**-**	**1,695**

These unlisted property fund units which didn't have an active market, were measured at fair value through profit and loss in the prior year.

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

In the prior year, unlisted property fund units were measured as Level 3 financial instruments. Refer to note 23(v) for explanation of the levels of fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PLANT AND EQUIPMENT

	2021 $'000	2020 $'000
Leasehold improvements		
At cost	1,271	1,488
Less: accumulated depreciation	(391)	(460)
Total leasehold improvements	**880**	**1,028**
Plant and equipment		
At cost	2,735	2,663
Less: accumulated depreciation	(1,605)	(1,808)
Total plant and equipment	**1,130**	**855**
Total plant and equipment	**2,010**	**1,883**

(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 2021	**Note**	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
Carrying amount at 1 July 2020		1,028	855	1,883
Additions		-	366	366
Disposals		-	(3)	(3)
Depreciation charge	3	(148)	(88)	(236)
Carrying amount at 30 June 2021		**880**	**1,130**	**2,010**
For the year ended 30 June 2020				
Carrying amount at 1 July 2019		707	352	1,059
Additions		458	687	1,145
Disposals		(9)	(28)	(37)
Depreciation charge	3	(128)	(156)	(284)
Carrying amount at 30 June 2020		**1,028**	**855**	**1,883**

(ii) Accounting

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using the following rates which are consistent with the prior year:

Plant and equipment	3-10 years
Leasehold improvements	5-10 years or lease term if shorter

Asset under development

Included in plant and equipment is an amount of $999,000 (2020: $669,000) relating to expenditure for upgrade of the ERP system.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. RIGHT-OF-USE ASSETS

The Group has lease contracts for various office premises, motor vehicles and IT equipment used in its operations. Lease of office premises generally have lease terms between 3 and 5 years, while motor vehicles and IT equipment have lease terms between 3 and 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Some of the lease contracts for office premises include extension options.

The Group also has certain leases with terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

		Right-of-use assets			
		Motor vehicle lease $'000	**IT equipment lease $'000**	**Office premises lease $'000**	**Total $'000**
For the year ended 30 June 2021	**Note**				
As at 1 July 2020		**481**	**189**	**5,308**	**5,978**
Additions		30	9	1,305	1,344
Amortisation expense	3	(256)	(107)	(1,261)	(1,624)
Disposal		-	-	(775)	(775)
As at 30 June 2021		**255**	**91**	**4,577**	**4,923**
Current		-	-	-	-
Non-current		**255**	**91**	**4,577**	**4,923**
Total		**255**	**91**	**4,577**	**4,923**
For the year ended 30 June 2020	**Note**				
As at 1 July 2019		**464**	**316**	**2,744**	**3,524**
Additions		313	14	4,169	4,496
Amortisation expense	3	(296)	(136)	(1,409)	(1,841)
Disposal		-	(5)	(196)	(201)
As at 30 June 2020		**481**	**189**	**5,308**	**5,978**
Current		-	-	-	-
Non-current		**481**	**189**	**5,308**	**5,978**
Total		**481**	**189**	**5,308**	**5,978**

Accounting

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	2021 $'000	2020 $'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 are reviewed each year. A review carried out at 31 December 2009 determined that the brand name had indefinite life. This change in accounting estimate was applied prospectively with amortisation ceasing as of 31 December 2009.

At 30 June 2021, there were no indicators of impairment. However, an annual impairment test was performed and no impairment identified.

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.

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

14. PAYABLES

	2021 $'000	2020 $'000
Current		
Land creditors	7,410	1,323
Trade creditors	9,190	9,954
Related party payables	225	130
Deferred Income	1,155	38
Contractual amounts payable to landowners	5,946	-
Property and payroll taxes payable	5,152	613
Other creditors and accruals	3,257	4,482
Total current payables	**32,335**	**16,540**
Non-current		
Land creditors	14,251	23,360
Deferred Income	634	589
Contractual amounts payable to landowners	660	3,039
Other creditors and accruals	-	558
Total non-current payables	**15,545**	**27,546**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PAYABLES (continued)

Accounting

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost. They 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 3.61% (2020: 3.84%).

15. BORROWINGS

	2021 $'000	2020 $'000
Non-current		
Bank loans	138,549	190,110
Total non-current interest-bearing liabilities	**138,549**	**190,110**

Accounting

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset whilst in active development. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

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.

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

15. BORROWINGS (continued)

Financing arrangements

The Group has access to the following lines of credit:

	Note	Available $'000	Utilised $'000	Unutilised $'000
30 June 2021				
Main banking facilities	15(a)			
- bank overdraft		5,000	-	5,000
- bank loans		230,000	138,549	91,451
- performance bonds		15,000	5,987	9,013
		250,000	**144,536**	**105,464**
Contract performance bond facilities	15(c)			
- performance bonds		**60,000**	**22,004**	**37,996**
30 June 2020				
Main banking facilities	15(a)			
- bank overdraft		5,000	-	5,000
- bank loans		265,000	190,110	74,890
- performance bonds		30,000	16,925	13,075
		300,000	**207,035**	**92,965**
Contract performance bond facilities	15(c)			
- performance bonds		**60,000**	**30,377**	**29,623**

At 30 June 2021 main banking facilities are interchangeable up to $47 million (2020: $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.

Significant terms and conditions

(a) Main banking facilities

The Group's main banking facilities mature on 30 September 2023. 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. 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 25). The weighted average interest rate including margin on the main banking facilities at 30 June 2021 was 1.41% (2020: 1.47%).

The Company reduced the number of its lenders from five to four banks during the year under review, and in so doing also reduced its main banking facility limit from $300 million to $250 million. The $50 million limit tranche foregone was not drawn during fiscal 2021 and its cancellation resulted in a cost saving to the Company.

(b) Project funding facilities

At reporting date, there were no project funding facilities.

(c) Contract performance bond facilities

The Group has entered into Contract performance bond facilities of $60,000,000 (2020: $60,000,000) which are subject to review annually. $25,000,000 of the facilities expire on 31 March 2022 with the balance expiring on 1 May 2022. 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 25.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. LEASE LIABILITIES

The Group has lease contracts for various office premises, motor vehicles and IT equipment used in its operations. Lease of office premises generally have lease terms between 3 and 5 years, while motor vehicles and IT equipment have lease terms between 3 and 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Some of the lease contracts for office premises include extension options, the effects which have been incorporated in calculating lease liabilities.

The Group also has certain leases with terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	Lease Liabilities			
	Motor vehicle lease $'000	IT equipment lease $'000	Office premises lease $'000	Total $'000
As at 1 July 2020	**485**	**197**	**5,920**	**6,602**
Additions	30	9	1,305	1,344
Payments	(258)	(109)	(1,133)	(1,500)
Disposal	-	-	(1,203)	(1,203)
As at 30 June 2021	**257**	**97**	**4,889**	**5,243**
Current	**158**	**81**	**950**	**1,189**
Non-current	**99**	**16**	**3,939**	**4,054**
Total	**257**	**97**	**4,889**	**5,243**
As at 1 July 2019	**471**	**323**	**3,324**	**4,118**
Additions	313	14	4,169	4,496
Payments	(299)	(134)	(1,328)	(1,761)
Disposal	-	(6)	(245)	(251)
As at 30 June 2020	**485**	**197**	**5,920**	**6,602**
Current	**253**	**107**	**1,182**	**1,542**
Non-current	**232**	**90**	**4,738**	**5,060**
Total	**485**	**197**	**5,920**	**6,602**

The Group recognised rent expense from short-term leases of $103,000 (2020: $334,000) and leases of low-value assets of $260,000 (2020: $224,000).

Accounting

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Short-term leases and leases of low-value assets:

The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. LEASE LIABILITIES (continued)

of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its office leases to lease the assets for additional terms of up to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of office space due to the significance of these assets to its operations. The renewal options if any, for leases of plant and equipment and motor vehicles were not included as part of the lease term because the Group has a record of not exercising any renewal options for such leases.

17. PROVISIONS

	Rectification $'000	Restructuring $'000	Employee entitlements $'000	Total $'000
For the year ended 30 June 2021				
At 1 July 2020	**725**	**300**	**5,772**	**6,797**
Arising during the year	622	-	3,175	**3,797**
Utilised	(25)	(300)	(2,190)	**(2,515)**
At 30 June 2021	**1,322**	**-**	**6,757**	**8,079**
Current	**1,022**	**-**	**6,048**	**7,070**
Non-current	**300**	**-**	**709**	**1,009**
Total	**1,322**	**-**	**6,757**	**8,079**
For the year ended 30 June 2020				
At 1 July 2019	**582**	**216**	**6,531**	**7,329**
Arising during the year	680	300	1,143	**2,123**
Utilised	(537)	(216)	(1,902)	**(2,655)**
At 30 June 2020	**725**	**300**	**5,772**	**6,797**
Current	**425**	**300**	**5,123**	**5,848**
Non-current	**300**	**-**	**649**	**949**
Total	**725**	**300**	**5,772**	**6,797**

Accounting

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CONTRIBUTED EQUITY

	2021 Number	2020 Number	2021 $'000	2020 $'000
Ordinary shares	406,230,728	406,230,728	177,961	177,961
Treasury shares	(735,799)	-	(4,221)	(3,782)
Share capital	**405,494,929**	**406,230,728**	**173,740**	**174,179**

(a) Movement in ordinary share capital	**Number**	**Number**	**$'000**	**$'000**
At beginning and end of year	**406,230,728**	**406,230,728**	**177,961**	**177,961**

(b) Movement in treasury shares	**2021 Number**	**2020 Number**	**2021 $'000**	**2020 $'000**
At beginning of year	-	(762,619)	(3,782)	(3,452)
On market acquisition of shares	(735,799)	(757,523)	(439)	(435)
Excess funds received from AVJDESP	-	-	-	105
Employee share scheme issue	-	1,520,142	-	-
At end of year	**(735,799)**	**-**	**(4,221)**	**(3,782)**

During the year, 735,799 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust (AVJDESP) at a cost of $439,000.

Holders of ordinary shares are entitled to dividends and to one vote per share at shareholder 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 AVJDESP Trust are disclosed as treasury shares and deducted from contributed equity.

19. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Note	Foreign Currency Translation Reserve $'000	Share-based Payment Reserve $'000	Total $'000
At 1 July 2019		**4,256**	**4,626**	**8,882**
Foreign currency translation		(1,228)	-	(1,228)
Share-based payment expense	32(a)	-	754	754
At 30 June 2020		**3,028**	**5,380**	**8,408**
Foreign currency translation		(185)	-	(185)
Share-based payment expense	32(a)	-	730	730
At 30 June 2021		**2,843**	**6,110**	**8,953**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. RESERVES AND RETAINED EARNINGS (continued)

(b) Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income as explained in note 40(d) 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 rights to shares or shares issued to employees, with a corresponding increase in employee expense in the *Consolidated Statement of Comprehensive Income.*

(c) Retained earnings

	2021 $'000	2020 $'000
Movements in retained earnings were as follows:		
At beginning of year	210,543	212,886
Effect of adoption of new leases accounting standard	-	(416)
At beginning of year (restated)	210,543	212,470
Profit after income tax	18,716	9,041
Dividends declared and paid	(2,843)	(10,968)
At end of year	**226,416**	**210,543**

20. DIVIDENDS

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

The Company's Dividend Reinvestment Plan remains suspended.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DIVIDENDS (continued)

	2021 $'000	2020 $'000
Dividend franking account		
Franking credits available for subsequent financial years based on a tax rate of 30%	**31,813**	**28,730**

The above balance is based on the balance of the dividend franking account at 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 year-end.

Section A4 Cash Flow information

21. CASH FLOW STATEMENT RECONCILIATION

Reconciliation of profit after tax to net cash flow from operating activities

	2021 $'000	2020 $'000
Profit after tax	**18,716**	**9,041**
Adjustments for non-cash items:		
Depreciation and amortisation	1,860	2,125
Net gain on disposal of right-of-use assets	(428)	(51)
Net loss on disposal of plant and equipment	3	37
Interest revenue classified as investing cash flow	(170)	(1,264)
Share of loss of joint ventures	2,295	66
Change in inventory loss provisions	1,019	1,173
Share-based payments expense	730	754
Fair value adjustment to investment property	(180)	190
Fair value adjustment to financial asset	-	516
(Reversal)/provision - equity accounted investment	(1,554)	947
Change in operating assets and liabilities:		
Decrease in inventories	47,222	36,473
Increase in receivables	(11,115)	(11,988)
Increase in other assets	(2,311)	(1,799)
Increase/(decrease) in deferred tax liability	1,027	(955)
Increase/(decrease) in net current tax liability	1,925	(3,959)
Increase/(decrease) in payables	3,648	(20,139)
Increase/(decrease) in provisions	1,282	(532)
Net cash from operating activities	**63,969**	**10,635**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section B – Risk

22. 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.*

Timing of revenue recognition:

This includes the determination of whether revenue recognition criteria have 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 and sell.

Significant judgement was required in determining the appropriate estimates and assumptions to be used in determining the carrying value of inventory. COVID-19 and the Government's response to it significantly impacted our operations. Key assumptions and estimates impacted by COVID-19 include:

- forecast future sales and costs, based on the location, type and quality of residential property, recognise and incorporate the impact of COVID-19.
- the impact of Government subsidies on the sale of residential property.

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.

Fair value measurement:

Judgement is exercised in determining:

- fair value of financial asset carried at fair value through profit and loss.
- fair value of investment property.

The impact of COVID-19 and the Government's response to it, has been incorporated in the measurement of fair value.

23. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets and financial liabilities comprise receivables, payables, borrowings and cash.

The Group's treasury department focuses on the following main financial risks:

- interest rate risk;
- foreign currency risk;
- credit risk; and
- liquidity risk.

Financial risk activities are governed by appropriate policies and procedures and 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 these policies.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or associated future cash flows 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 loan maturity and cash flow profiles and the outlook for interest rates.

The Group has often used various techniques, including interest rate swaps, caps and floors to hedge the risk associated with interest rate fluctuations. These derivatives would not qualify for hedge accounting and changes in fair value would be recognised in profit and loss. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (continued)

(i) Interest rate risk (continued)

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 Group had the following cash and variable rate borrowings:

	2021		2020	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash	0.11	(13,099)	0.36	(5,703)
Bank loans	1.41	138,549	1.47	190,110
Net financial liabilities		**125,450**		**184,407**
Borrowings not hedged		**125,450**		**184,407**

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 disclosed in note 3:

With all other variables held constant, Profit After Tax would have been affected as follows:

	Profit After Tax Higher/(Lower)	
	2021 $'000	**2020 $'000**
+50 basis points	(77)	(100)
-50 basis points	77	100

The effect on the basis that no interest is capitalised, would be as follows:

	Profit After Tax Higher/(Lower)	
	2021 $'000	**2020 $'000**
+50 basis points	(439)	(645)
-50 basis points	439	645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign currency risk

Foreign currency risk arises from NZD denominated assets (balance sheet risk) or from transactions or cash flows denominated in NZD (cash flow risk).

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)	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
AUD/NZD +10%	(18)	(24)	(37)	(147)
AUD/NZD -10%	18	24	37	147

(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, receivables, 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 typically applied to repay drawn loans to minimise borrowing costs. 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 37 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 Group's main banking facilities mature on 30 September 2023 and are therefore non-current. 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 2021, none (2020: none) of the Group's interest-bearing loans and borrowings will mature in less than one year.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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 2021	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	13,099	-	-	13,099
Receivables	35,543	10,487	163	46,193
	48,642	**10,487**	**163**	**59,292**
Financial Liabilities				
Payables	23,434	8,901	15,931	48,266
Interest-bearing loans and borrowings*	982	976	140,996	142,954
Lease liabilities	724	465	4,054	5,243
Financial Guarantees	1,049	-	-	1,049
	26,189	**10,342**	**160,981**	**197,512**
Net maturity	**22,453**	**145**	**(160,818)**	**(138,220)**

Year ended 30 June 2020	< 6 months $'000	6-12 months $'000	> 1-5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	5,703	-	-	5,703
Receivables	13,799	9,237	12,042	35,078
	19,502	**9,237**	**12,042**	**40,781**
Financial Liabilities				
Payables	14,996	1,544	28,959	45,499
Interest-bearing loans and borrowings*	1,398	1,391	193,594	196,383
Lease liabilities	738	804	5,060	6,602
Financial Guarantees	1,031	-	-	1,031
	18,163	**3,739**	**227,613**	**249,515**
Net maturity	**1,339**	**5,498**	**(215,571)**	**(208,734)**

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

At reporting date, the Group has approximately $143 million (2020: $123 million) of unused credit facilities available. Please refer to note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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 2021				Year ended 30 June 2020			
	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 assets								
Financial asset	-	-	-	-	-	-	1,695	1,695
	-	-	-	-	-	-	1,695	1,695
Financial liabilities								
Interest-bearing loans and borrowings	-	138,549	-	138,549	-	190,110	-	190,110
	-	138,549	-	138,549	-	190,110	-	190,110

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.

Investment property is considered Level 3. Refer to note 8.

24. CAPITAL MANAGEMENT

In managing capital, management's objective is to achieve an efficient capital structure which optimises the weighted average cost of capital commensurate with business requirements and prudential considerations.

During the year ended 30 June 2021, a total dividend of $2,843,000 was paid (2020: $10,968,000).

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:

	2021 $'000	2020 $'000
Interest-bearing loans and borrowings	138,549	190,110
Less: cash and cash equivalents	(13,099)	(5,703)
Net debt	125,450	184,407
Total equity	409,109	393,130
Total assets	625,268	655,177
Net debt to equity ratio	**30.7%**	**46.9%**
Net debt to total assets ratio	**20.1%**	**28.1%**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section C – Group Structure

25. 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)]	**2021**	**2020**	**2021**	**2020**
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				
Montpellier Gardens Pty Limited[(3)]	100	100	Yes	Yes
AVJennings (Cammeray) Pty Limited[(3)]	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[(3)]	100	100	Yes	Yes
AVJennings Properties SPV No 4 Pty Limited[(3)]	100	100	Yes	Yes
AVJennings Wollert Pty Limited[(3)]	100	100	Yes	Yes
AVJ Erskineville Pty Limited[(3)]	100	100	Yes	Yes
AVJ Hobsonville Pty Limited[(3)]	100	100	Yes	Yes
AVJennings Properties SPV No 9 Pty Limited[(3)]	100	100	Yes	Yes
AVJennings SPV No 10 Pty Limited	100	100	No	No
AVJennings SPV No 19 Pty Limited[(3)]	100	100	Yes	Yes
AVJennings SPV No 20 Pty Limited	100	100	Yes	Yes
AVJennings SPV No 22 Pty Limited[(3)]	100	100	Yes	Yes
AVJennings SPV No 23 Pty Limited	100	100	Yes	Yes
AVJennings SPV No 24 Pty Limited	100	100	No	No
AVJennings SPV No 25 Pty Limited	100	100	No	No
AVJennings SPV No 26 Pty Limited	100	100	No	No
Creekwood Developments Pty Limited[(3)]	100	100	Yes	Yes
Portarlington Nominees Pty Limited[(3)]	100	100	Yes	Yes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CONTROLLED ENTITIES (continued)

(a) Investment in controlled entities (continued)

	% Equity Interest		Included in Banking Cross Deed of Covenant [2]	
ECONOMIC ENTITY [1]	**2021**	**2020**	**2021**	**2020**
Entities excluded from the Closed Group (continued)				
AVJennings St Clair Pty Limited[3]	100	100	Yes	Yes
St Clair JV Nominee Pty Limited[3]	100	100	Yes	Yes
AVJennings Properties Wollert SPV Pty Limited	100	100	No	No
AVJennings Waterline Pty Limited	100	100	Yes	Yes
Cusack Lane Nominees Pty Ltd	100	100	Yes	Yes
AVJennings NZ Management Services Ltd[4]	-	100	-	No

(1) All entities with the exception of AVJennings NZ Management Services Ltd are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited which has a branch in New Zealand and AVJennings NZ Management Services Ltd which was incorporated and operated 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 15(a).

(3) These entities, including AVJennings Limited, are included in the Deeds of Indemnity for performance bond facilities referred to in note 15(c).

(4) Deregistered during the year.

(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 25(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".

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CONTROLLED ENTITIES (continued)

(d) Corporations Instrument closed group

Certain controlled entities were granted relief by ASIC (under provisions of the 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 25(c)).

The Extended Closed Group referred to in the *Directors' Declaration* therefore comprises all of the entities within the Corporations Instrument. Certain entities falling outside of the Extended Closed Group are listed in note 25(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	
	2021 **$'000**	**2020** **$'000**
Revenues	141,807	142,622
Cost of sales	(104,202)	(108,449)
Other expenses	(36,249)	(39,085)
Profit/(loss) before income tax	**1,356**	**(4,912)**
Income tax	(543)	1,191
Profit/(loss) after income tax	**813**	**(3,721)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CONTROLLED ENTITIES (continued)

(d) Corporations Instrument closed group (continued)

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

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	8,226	1,172
Receivables	118,560	189,839
Inventories	83,091	69,040
Tax receivable	-	1,223
Other assets	2,694	1,911
Total current assets	**212,571**	**263,185**
Non-current assets		
Receivables	163	2,835
Inventories	153,944	149,375
Equity accounted investments	4,895	5,636
Financial asset	-	1,695
Plant and equipment	2,010	1,883
Right-of-use assets	4,727	5,711
Intangible assets	2,816	2,816
Other assets	4,920	2,653
Total non-current assets	**173,475**	**172,604**
Total assets	**386,046**	**435,789**
Current liabilities		
Payables	14,021	7,745
Lease liabilities	1,160	1,485
Tax payable	1,342	-
Provisions	7,100	5,410
Total current liabilities	**23,623**	**14,640**
Non-current liabilities		
Payables	15,702	19,560
Interest-bearing loans and borrowings	97,600	149,000
Lease liabilities	3,871	4,848
Deferred tax liabilities	12,163	13,002
Provisions	1,009	949
Total non-current liabilities	**130,345**	**187,359**
Total liabilities	**153,968**	**201,999**
Net assets	**232,078**	**233,790**
Equity		
Contributed equity	173,740	174,179
Reserves	6,110	5,380
Retained earnings	52,228	54,231
Total equity	**232,078**	**233,790**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CONTROLLED ENTITIES (continued)

(d) Corporations Instrument 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	
	2021	**2020**
	$'000	**$'000**
At beginning of year	233,790	248,471
Effect of adoption of new leases accounting standard	-	(416)
Comprehensive income:		
Profit/(loss) for the year	813	(3,721)
Total comprehensive income/(loss) for the year	813	(3,721)
Transactions with owners in their capacity as owners		
- Treasury shares acquired	(439)	(330)
- Share-based payment expense	730	754
- Exchange variation on deregistration of foreign entity	27	-
- Dividends paid	(2,843)	(10,968)
Total transactions with owners in their capacity as owners	(2,525)	(10,544)
At end of year	**232,078**	**233,790**

26. EQUITY ACCOUNTED INVESTMENTS

	2021	**2020**
	$'000	**$'000**
Joint Ventures	**4,895**	**5,636**

Accounting

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.

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 joint ventures is disclosed in the *Consolidated Statement of Comprehensive Income*. Dividends received from 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 joint venture are eliminated to the extent of the interest in the joint venture, until the underlying assets are realised by the joint venture on consumption or sale.

If there is objective evidence that the investment in the joint venture is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and it's carrying value and recognises it in the *Consolidated Statement of Comprehensive Income*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. EQUITY ACCOUNTED INVESTMENTS (continued)

Interest in Joint Ventures

	Interest held	
	2021	**2020**
Joint Venture and principal activities		
Pindan Capital Group Dwelling Trust - Building Construction	33.3%	33.3%

	2021 $'000	**2020 $'000**
Movements in carrying amount		
At beginning of year	5,636	6,649
Share of loss	(2,295)	(66)
At end of year before provision for loss	3,341	6,583
Provision for loss on investment	1,554	(947)
At end of year (1)	**4,895**	**5,636**

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

	2021 $'000	**2020 $'000**
Share of assets and liabilities		
Current assets	617	380
Non-current assets	6,647	8,552
Total assets	7,264	8,932
Current liabilities	2,075	218
Non-current liabilities	294	1,524
Total liabilities	2,369	1,742
Net assets	**4,895**	**7,190**

(1) For 2020, the difference between the carrying amount and the share of net assets relates to provision for loss recognised by the Group. The provision held at 30 June 2020 was $1,554,000. This was reversed in the current year.

Share of revenues and expenses		
Revenues	2,559	1,447
Cost of sales	(4,299)	(1,093)
Expenses	(555)	(420)
Loss before income tax	(2,295)	(66)
Loss after income tax	**(2,295)**	**(66)**

At 30 June 2021, there were no significant commitments entered into by the Joint Venture.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. INTEREST IN JOINT OPERATIONS

A controlled entity has entered into a Joint Operation. Information relating to the Joint Operation is set out below:

	Interest held	
	2021	**2020**
Joint Operation name, principal place of business and principal activities		
Wollert Joint Venture (Victoria) - Land Development and Building Construction	49%	49%

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. Their interests in the assets, liabilities, revenues and expenses of the Joint Operation have been recognised in the Financial Statements under the appropriate headings.

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

	2021 $'000	**2020 $'000**
Share of assets and liabilities		
Current assets	12,197	14,935
Non-current assets	22,496	24,714
Total assets	**34,693**	**39,649**
Current liabilities	8,622	2,889
Non-current liabilities	215	6,136
Total liabilities	**8,837**	**9,025**
Net assets	**25,856**	**30,624**
Share of revenues and expenses		
Revenues	17,746	20,826
Cost of sales	(11,907)	(13,069)
Other expenses	(807)	(1,150)
Profit before income tax	**5,032**	**6,607**
Income tax	(1,510)	(1,982)
Profit after income tax	**3,522**	**4,625**
Total comprehensive income for the year	**3,522**	**4,625**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section D – Other information

28. CORPORATE INFORMATION

The Consolidated Financial Statements of AVJennings Limited for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 27 August 2021.

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 53.94% 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.

29. 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).

30. BASIS OF PREPARATION

These Financial Statements have been prepared on a going concern basis, using historical cost convention with the exception of financial assets at fair value through profit and loss. 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.

Consistent accounting policies have been applied in the current and prior years.

31. 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.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. RELATED PARTY DISCLOSURES (continued)

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

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

	Owned by Directors directly, or indirectly or beneficially	
	2021 Number	**2020 Number**
Fully paid ordinary shares	224,703,013	224,927,833

(c) Entity with significant influence over AVJennings Limited

219,112,839 ordinary shares equating to 53.94% of the total ordinary shares on issue (2020: 219,112,839 and 53.94% respectively) were held by SC Global Developments Pte Ltd and its subsidiaries in the Parent Entity at 30 June 2021. 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

The Group recognises an allowance for expected credit losses (ECLs) for all related party receivables. Negligible ECLs over these amounts have been assessed as at 30 June 2021.

(e) Transactions with related parties

	2021 $	**2020 $**
Entity with significant influence over the Group:		
SC Global Developments Pte Ltd		
Consultancy fee paid/payable	590,000	580,000
Other:		
Related party of P Kearns*		
Special Exertion fee paid/payable	222,950	-
Joint Operations:		
Wollert JV		
Management fee received/receivable	2,516,433	2,513,092
Accounting services fee received/receivable	50,000	50,000

* P Kearns is a Director of AVJennings. This is further discussed in the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. RELATED PARTY DISCLOSURES (continued)

(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 26 and 27.

(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.

	2021 $'000	2020 $'000
Current receivables		
Joint Ventures	1,370	822
Non-current receivables		
Joint Ventures and others	163	988
Current payables		
SC Global Developments Pte Ltd	150	130
Related party of P Kearns	75	-

(h) Amounts advanced to and received from related parties

	2021 $'000	2020 $'000
Amounts advanced		
Joint Ventures and others	243	2,090

(i) Remuneration of Key Management Personnel (KMP)

	2021 $	2020 $
Short-term		
- Salary/Fees	2,440,191	2,448,879
- Accrued annual leave	10,814	(3,938)
- STI	703,296	-
- Other [1]	26,693	34,696
Post employment		
- Superannuation	134,414	130,007
Long-term		
- Accrued Long service leave	85,159	105,650
Share-based payment	371,165	505,326
	3,771,732	**3,220,620**

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

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. 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:

	2021 $'000	2020 $'000
Expense arising from equity-settled share-based payment transactions	800	979
Expense reversed on forfeiture of shares	(70)	(225)
Total expense arising from share-based payment transactions	**730**	**754**

The share-based payment plan is described in note 32(b).

(b) Type of share-based payment plan

LTI grants are only made to executives who have the ability to impact the Group's performance and create shareholder value over the long term.

LTI remuneration is provided by the Issue of Rights with performance conditions. The use of Performance Rights as an incentive reduces the upfront cash requirements (as shares do not need to be acquired for allocations). Shares are acquired on market by the Plan Trustee to satisfy the grant of shares in respect of rights which have vested. Participants do not receive dividends on Rights (as distinct from shares).

LTI and performance

The TSR measure was introduced in February 2020 to replace the former ROE component of the Performance Rights which used market capitalisation as a proxy for equity. The TSR hurdle will apply to grants under the LTI from FY21 onwards. The old ROE hurdle will apply to grants which were made in FY19 and FY20.

50% of Performance Rights granted vest depending on AVJennings' average growth rate in EPS over the three financial years of performance measurement.

50% of Performance Rights granted vest depending on AVJennings' TSR over the three financial years of performance measurement against the ASX 300 Real Estate Index, a comparator group including peers in the residential property sector. The comparator group is not directly comparable to AVJennings as the Index contains non-residential property participants. However, this comparator group was chosen as the best approximation as the pool of directly comparable listed developers was too small to provide a reliable and meaningful comparator group.

Both elements of the Performance Rights (EPS and TSR, formerly ROE) are also subject to a service condition. The recipient must be employed by AVJennings as at 30 June of the year in which the performance conditions of the Rights are tested. The Rights only vest if both the service condition and the performance conditions are satisfied.

The performance conditions are tested at the end of the three-year measurement period, in the September following release of the financial statements for that year. There is no re-testing. If the conditions are not satisfied when they are tested, the Rights are immediately forfeited.

The operation of the EPS, ROE and the new TSR 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% of the allocation for the hurdle
15%	75% of the allocation for the hurdle
> = 18%	100% (Straight line interpolation between 12% and 18%)

This ROE hurdle was removed in February 2020 and replaced with TSR hurdle for grants for FY21 and beyond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SHARE-BASED PAYMENT PLANS (continued)

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

AVJennings TSR rank against ASX 300 RE Index at 30 September	Percentage vesting
< median	Nil
At the median	50% of the allocation for the hurdle
> median but < 75th percentile	Pro-rata between 50th and 75th percentiles
> 75th percentile	100% of the allocation for the hurdle

Retention

Retention Rights are granted in three equal tranches which vest in each of the three succeeding years following the year of grant.

Retention component - years of service	Percentage of rights vesting
One year	33.33%
Two years	33.33%
Three years	33.34%

Unvested retention rights are subject to real risk of forfeiture, for example where an executive ceases employment for any reason.

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. Where an award is cancelled during the vesting period other than by forfeiture for failure to satisfy the vesting conditions, it is treated as an acceleration of vesting, and the company recognises immediately the amount that would otherwise have been recognised for services received over the remainder of the vesting period.

(c) Summary of rights granted

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

	Total rights granted	Rights vested to date	Rights forfeited to date	Rights cancelled to date	Unvested rights at 30 June 2021
FY2019 Grant	1,841,470	(402,130)	(61,168)	(236,510)	1,141,662
FY2020 Grant	1,978,415	-	(55,284)	(282,320)	1,640,811
FY2021 Grant	1,765,852	-	(174,859)	-	1,590,993
Total	**5,585,737**	**(402,130)**	**(291,311)**	**(518,830)**	**4,373,466**

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SHARE-BASED PAYMENT PLANS (continued)

(c) Summary of rights granted (continued)

The following table gives details and inputs in respect of the rights granted for the retention and performance components for the years ended 30 June 2021 and 2020.

	2021 Retention	**2021 Performance**
Number of rights granted	785,431	980,421
Weighted average fair value at measurement date	$0.4666	$0.3738
Dividend yield (%)	6.27	6.27
Risk-free interest rate (%)	0.17 to 0.23	0.24
Expected life (years)	0.80 to 2.80	3.00
Share price	$0.52	$0.52

	2020 Retention	**2020 Performance**
Number of rights granted	846,970	1,131,445
Weighted average fair value at measurement date	$0.4913	$0.4505
Dividend yield (%)	7.37	7.37
Risk-free interest rate (%)	0.67 to 0.77	0.67
Expected life (years)	0.90 to 2.89	3.09
Share price	$0.56	$0.56

33. AUDITOR'S REMUNERATION

	2021 $	**2020 $**
Fees to Ernst & Young		
Fees for auditing the statutory financial report of the parent covering the Group and audting the statutory financial reports of controlled entities	295,495	318,682
Fees for other services	31,007	6,367
Total fees to Ernst & Young	**326,502**	**325,049**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. EARNINGS PER SHARE (EPS)

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:

	2021 $'000	2020 $'000
Profit attributable to ordinary equity holders of the Parent	18,716	9,041

	2021 Number	2020 Number
Weighted average number of ordinary shares for diluted EPS	406,230,728	406,230,728
Treasury shares	(735,799)	-
Weighted average number of ordinary shares for basic EPS	405,494,929	406,230,728

35. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2021 $'000	2020 $'000
Balance Sheet		
Current assets	69,969	69,679
Total assets	**233,255**	**232,965**
Current liabilities	6	6
Total liabilities	**6**	**6**
Shareholders' equity		
Contributed equity	173,739	174,179
Reserves		
Share-based payment reserve	6,110	5,380
Retained earnings	53,400	53,400
Total equity	**233,249**	**232,959**
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 guarantees other than those mentioned in notes 15(a), 15(c), 25(c) and 37.

(c) Contingent liabilities of the Parent Entity

Please refer to note 37 for details of the Parent Entity's contingent liabilities.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. COMMITMENTS

Operating lease commitments – Group as lessee

Liabilities in respect of leases recognised in accordance with AASB 16 - Leases, are presented in note 16. The table below presents liabilities in respect of short-term leases and leases of low-value assets for which the Group has applied the recognition exemption available under the accounting standard.

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:

	2021 $'000	**2020 $'000**
Operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	246	269
After one year, but not more than five years	100	92
Total operating leases	**346**	**361**
Represented by:		
Non-cancellable operating leases	234	350
Cancellable operating leases	112	11
Total operating leases	**346**	**361**

37. 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 25(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 25(a). Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 30 June 2021 amounted to $22,004,000 (2020: $30,377,000).

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. An accrual is taken up for legal costs if a present obligation exists and there is a high degree of certainty on the amount payable. In cases where costs have been estimated after the exercise of judgement, a provision is taken up.

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 25(a).

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 2021, amounted to $4,938,000 (2020: $15,894,000). No liability is expected to arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. CONTINGENCIES (continued)

Financial guarantees

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

38. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

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

39. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Accounting Standards, Interpretations and Amendments

Several amendments and interpretations apply for the first time in 2021, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective. The Group is currently assessing the impact of standards which will be effective in future years.

40. 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 2021. 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.

Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. OTHER ACCOUNTING POLICIES (continued)

c) 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; and
- 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.

d) 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.

e) JobKeeper Payment Scheme

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

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

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 2021 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 29; 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 2021.

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 25 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
27 August 2021

Peter Summers
Director

Ernst & Young
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GPO Box 2646 Sydney NSW 2001

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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 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including 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:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) 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 auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also 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.

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1. **Net realisable value (NRV) of inventories**

Why significant	How our audit addressed the key audit matter

Approximately 86% of the Group's total assets comprise inventories. Inventories are carried at the lower of cost and net realisable value and the directors assess this with reference to the following:
▸ Capitalised costs to date
▸ Forecast costs to complete
▸ Average historic and forecast selling price and sales rate for each project
▸ Changes to the underlying assumptions based on the impact of changing market conditions and changes to strategy, which includes the ongoing COVID-19 pandemic's impact on the residential real estate market in Australia.
 	
This was considered a key audit matter as the assessment involves a significant degree of judgment and can present a range of alternative outcomes.
 	
Disclosure of inventories is included in Note 7 of the financial report.
 	
Disclosure of significant judgments is included in Note 22 of the financial report.
	Our audit procedures focused on assessing the judgments and assumptions made by the Group in the feasibilities underpinning the net realisable value assessments.
	
	Our procedures included the following:
	▸ Assessed and tested the effectiveness of relevant controls over cost accumulation
	▸ Held discussions with Project Managers to understand the status and progress of a sample of developments
	▸ Assessed the impairment methodology, project margin analysis and feasibility models prepared by management for a sample of developments in progress
	▸ Identified higher risk projects, based on our judgment, and evaluated the assumptions adopted. In doing so, we:
	  ▸ Compared the forecast sales revenue assumptions to the most recent historical or comparable sales and external market data
	  ▸ Corroborated the costs projected to signed contracts or actual costs incurred for current or comparable projects
	  ▸ Assessed contingency estimates for remaining development risks
	  ▸ Selected a sample of identified higher risk projects in which we involved our internal real estate valuation specialists to evaluate the key sales revenue assumptions in these projects
	▸ Performed sensitivity analyses in relation to the key forward looking assumptions including sales price achieved, cost per lot and escalation rates.
	▸ Considered the impact of the market uncertainty arising from COVID-19 on the Group's forward-looking assumptions.
	▸ Tested the mathematical accuracy of the feasibilities selected.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on 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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to 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 the 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.

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As part of an audit in accordance with the 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 Group'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

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.

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2021, 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

Glenn Maris
Partner
Date: 27 August 2021

Shareholder Information.

As at 23 August 2021.

1. NUMBER OF SHAREHOLDERS AND DISTRIBUTION OF EQUITY SECURITIES

	Australian Securities Exchange	Singapore Exchange	Total
Range of Holdings of Ordinary Shares			
1 - 1,000	632	264	896
1,001 - 5,000	769	567	1,336
5,001 - 10,000	288	180	468
10,001 - 100,000	684	202	886
100,001 - and over	173	26	199
Total number of holders	**2,546**	**1,239**	**3,785**
Number of holders of less than a marketable parcel	**423**	**135**	**558**

2. SUBSTANTIAL SHAREHOLDERS

As disclosed by latest notices received by the Company:

Name	Ordinary Shares	%
SC Global Developments Pte Ltd	219,112,839	53.94

Shareholder Information.

As at 23 August 2021.

3. TWENTY LARGEST SHAREHOLDERS ON THE AUSTRALIAN REGISTER

Name	Ordinary Shares	%
The Central Depository (Pte) Ltd	225,035,703	55.40
Brazil Farming Pty Ltd	17,165,233	4.23
BNP Paribas Nominees Pty Ltd <DRP>	16,742,495	4.12
HSBC Custody Nominees (Australia) Ltd	13,505,400	3.32
Citicorp Nominees Pty Ltd	12,182,403	3.00
Pacific Custodians Pty Ltd AVJ Def Emp Share Trust	6,533,810	1.61
Gillcorp Pty Limited	6,343,003	1.56
John E Gill Operations Pty Ltd	5,609,105	1.38
John E Gill Trading Pty Ltd	5,598,712	1.38
Horrie Pty Ltd	3,747,931	0.92
Luton Pty Ltd	3,310,264	0.81
JP Morgan Nominees Australia Pty Ltd	3,214,013	0.79
Jamplat Pty Ltd	2,891,000	0.71
Ago Pty Ltd	2,661,975	0.66
Mr Bradley John Newcombe	2,525,000	0.62
Anchorfield Pty Ltd <Brazil Family FNDN A/c>	2,000,000	0.49
Dr D R M Gill and Mrs J M Gill <Gill Super Fund A/c>	1,958,511	0.48
Di Iulio Homes Pty Ltd	1,401,472	0.34
Carlcorp Pty Ltd <Carlcorp Super Fund A/c>	1,368,609	0.34
Hillmorton Custodians Pty Ltd <The Lennox Unit A/c>	1,293,054	0.32
Total	**335,087,693**	**82.48**

Shareholder Information.

As at 23 August 2021.

4. TWENTY LARGEST SHAREHOLDERS ON THE SINGAPORE REGISTER

Name	Ordinary Shares	%
UOB Nominees (2006) Pte Ltd	192,463,638	47.38
United Overseas Bank Nominees Pte Ltd	11,967,002	2.95
Trimount Pte Ltd	1,782,618	0.44
Oei Hong Leong Foundation Pte Ltd	1,570,170	0.39
Lim Chin Tiong or Sim Lye Wan	1,408,420	0.35
Tsang Sze Hang	899,283	0.22
DBS Nominees Pte Ltd	838,233	0.21
Rowland Wong Kwok Ho	804,175	0.20
Vesmith Investments Pte Ltd	681,796	0.17
Raffles Nominees (Pte) Ltd	670,574	0.17
Pansbury Investments Pte Ltd	532,828	0.13
Citibank Nominees Singapore Pte Ltd	452,507	0.11
Hexacon Construction Pte Ltd	368,480	0.09
UOB Kay Hian Pte Ltd	293,414	0.07
Teo Chiang Long	269,172	0.07
Ng Poh Cheng	263,931	0.06
OCBC Nominees Singapore Pte Ltd	244,737	0.06
Wee Kim Choo @ Elizabeth Sam	224,820	0.06
Chng Bee Suan	224,220	0.06
Chua Hung Koon Edmond	216,873	0.05
Total	**216,176,891**	**53.24**

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 406,230,728.

Company Particulars.

DIRECTORS

Mr Simon Cheong
Mr Jerome Rowley
Mr Bobby Chin
Mr Lai Teck Poh
Mr Bruce Hayman
Mr Tan Boon Leong
Mr Philip Kearns
Ms Lisa Chung
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
200 George Street
Sydney NSW 2000

BANKERS

Commonwealth Bank of Australia
DBS Bank Ltd
HSBC Bank Australia Ltd
United Overseas Bank Ltd

STOCK EXCHANGE LISTINGS

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

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

SHARE REGISTRY

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DIVIDENDS

An interim dividend of $0.007 for FY21
was paid on 26 March 2021.
A final dividend of $0.018 for FY21
will be paid on 23 September 2021.

Building
on our past.
Shaping
your future.

Your community developer.