AVJennings®

Appendix 4D

Half year ended: 31 December 2023
Previous corresponding period: 31 December 2022

Results for announcement to the market

Results	31 December 2023 $'000	31 December 2022 $'000	Change $'000	Change %
Revenues	120,437	140,434	(19,997)	(14.3)%
Profit after tax	2,796	15,191	(12,395)	(81.6)%
Profit attributable to owners of the Company	2,796	15,191	(12,395)	(81.6)%

Dividends	Cents per share	Franked amount per share at 30% tax
Current period		
Interim dividend	Nil	Nil
Total dividend	**Nil**	**Nil**
Previous period		
Interim dividend	1.10	1.10
Total dividend	**1.10**	**1.10**

Results commentary
The Operating and Financial Review in the Directors' Report provides an explanation of the results.

Other disclosures
The Half-Year Report contains additional disclosure requirements such as segment results, Net Tangible Asset (NTA) backing per ordinary shares, and Earnings Per Share (EPS).

AVJennings Limited

ABN: 44 004 327 771

31 December 2023 Half-Year Report

This Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that this Report be read in conjunction with the Annual Report for the year ended 30 June 2023 and any public announcements made by AVJennings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

AVJennings

Contents

Directors' Report

For the half-year ended 31 December 2023

The Directors present their Report on the Company and its controlled entities for the half-year ended 31 December 2023.

DIRECTORS

The names of the Company's Directors in office during the period and until the date of this Report are as below. Directors were in office for the entire period unless otherwise stated.

S Cheong	Non-Executive Chairman
RJ Rowley	Non-Executive Deputy Chairman
P Kearns	Chief Executive Officer and Managing Director
B Chin	Non-Executive Director
BG Hayman	Non-Executive Director
TP Lai	Non-Executive Director
L Chung	Non-Executive Director
LM Mak	Non-Executive Director

OPERATING AND FINANCIAL REVIEW (OFR)

FINANCIAL RESULTS

AVJennings' Profit Before Tax (PBT) of $4.2M for the six-month period ended 31 December 2023 is down 81% on the prior year (1H23 PBT: $21.8M). Net Profit After Tax is $2.8M (1H23 NPAT: $15.2M).

During the period, 270 lots were settled compared to 415 lots for prior comparable period. This represents a 35% decrease, primarily driven by overall market sentiment and reduced purchaser borrowing capacity following 13 interest rate rises over an 18-month period. The prior comparable period also benefited materially from settlements carried over from FY22 when wet weather significantly impacted construction programs.

Key contributors to 1H24 settlements were Wollert (VIC), Lyndarum North (VIC), Mernda (VIC) and Rosella Rise (NSW) with an overall skew towards land settlements.

Gross margin % remained solid at 26%, albeit down on the prior period (1H23: 35%). Gross margin % during the period was impacted by cost pressures, particularly in Victoria, and the structure of our Brunswick project in partnership with the Victorian government. Revenue for this project, aimed at improving social outcomes through more social housing, is based on a cost-plus delivery model where we receive a development margin but at a lower level than typical projects.

A provision of $1.2M was taken during the period largely relating to our apartment project at Kogarah (NSW). This provision reflects increased construction costs in excess of revenue growth. Despite this setback, management's response to mitigate cost risks across the portfolio has been robust and ongoing.

Contract signings of 294 lots are up 75% on the prior period (1H23: 168) as improvements in consumer confidence were seen in the six-months to 31 December 2023 following periods of interest rate stabilisation. Most notably, we have seen improved demand across Queensland, Victoria and South Australia. We have 329 unconditional contracts on hand, at a value of $159M, the majority of which will settle through late FY24 and into early FY25. Enquiry rates are up 26% on the prior comparable period with a clear correlation to movements in interest rates.

OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL RESULTS (continued)

AVJennings' operating cashflow to 31 December 2023 of ($110M) was down $69M on the prior comparable period, driven by a significant increase in production activities, primarily for the construction of in-progress apartment projects and upfront investment in large, early-stage land projects. Within operating cashflow, $57M of expenditure related to land payments on committed acquisitions.

Financing cash inflows were $104M as an increased amount of debt was drawn down to fund production and acquisition activities. The equity raise conducted during the year to fund increased built-form and support the modernisation of the business also contributed $30M to financing cash inflows. The equity raise resulted in the issuance of an additional 152.1 million shares.

Our Club Banking facility was extended to September 2025 during the period.

A conservative approach to debt management was maintained with gearing levels remaining at the lower end of the range at 25.7%. While there are early signs of market improvement, the Board decided not to declare a dividend during the period in line with our ongoing prudent approach to capital management. The full year decision on dividends will be revisited once there is greater confidence on the strength of macroeconomic conditions. Collectively, these decisions demonstrate AVJennings' commitment to financial stability and risk mitigation to successfully navigate the current market conditions.

Earnings per share (EPS) stood at 0.61 cents per share (1H23: 3.74 cents per share), reflecting lower earnings and an increase in the number of shares post-equity raise.

As we look ahead to positioning the company for growth, discussions have progressed with our lenders regarding the restructure of our existing debt facilities. These discussions have been constructive to date. This strategic move aims to support expansion of built form and capitalise on future opportunities when the market recovers.

OPERATIONS OVERVIEW

During the six months to 31 December 2023, AVJennings has continued to navigate challenging macroeconomic conditions to set ourselves up for future growth. The key points that shaped our operations and strategies throughout the year are highlighted below.

Recognising the slowdown in demand driven by macroeconomic factors, we have capitalised on the ability to slow production on projects where market conditions are supportive to balance capital management, market supply and purchaser demand. We remain focused on progressing planning to be 'shovel ready' to swiftly respond to the market recovery when it occurs to capitalise on future opportunities.

Broader demand across both land and built form presents a strategic opportunity for us to leverage the flexibility of our pipeline and our internal design and construction teams to rapidly adjust to meet changing customer demands.

While we continue to see the moderation of cost escalation, labour shortages and the resulting pressure on wages continue to be a challenge, particularly within the built-form housing sector. These constraints have required us to adapt our delivery approach in some instances as we do not see labour challenges abating in the near-term.

OPERATING AND FINANCIAL REVIEW (continued)

OPERATIONS OVERVIEW (continued)

Part of this adaption relates to our Joint Venture with Pro9 Global (Pro9) to support the manufacture of its prefabricated walling system in Australia. We have realised numerous benefits through the construction process and continue to work on further refining our processes as an Australian manufacturing facility is established. Our use of Pro9's prefabricated walling system will help mitigate labour shortages (by requiring fewer trades at site) and material constraints, further enabling our ability to quickly respond to changes in demand.

With 1,299 lots currently under construction, we remain focused on delivering high-quality communities that exceed our customers' expectations. Over 50% of the lots under construction relate to current and future built-form construction. As at 31 December 2023, there were 112 completed lots for retail sale (1H23: 65 lots).

No new acquisitions were made during the period which has resulted in our pipeline of lots under control reducing to 13,905.

Our acquisition activities remain primarily opportunistic given ongoing market uncertainty and vendor price expectations yet to adjust to market conditions. We expect our acquisition activities to remain scaled back until overall market sentiment and buying conditions improve.

Planning challenges continue to persist in some areas, leading to protracted planning outcomes on several projects. While these conditions have posed obstacles, we continue to work collaboratively with the necessary authorities to progress planning outcomes and to play a role in addressing Australia's housing shortage.

OUTLOOK

While many of the conditions surrounding the residential property market continue to be challenging, we see several macroeconomic indicators pointing towards an improving environment in the near-term for residential development. These expected improvements in conditions set the groundwork for growth as consumer confidence improves. While preparing ourselves to respond to improved conditions and purchaser sentiment, we are equally mindful of the near-term risks that demand our attention and strategic planning.

The significant record rise in immigration levels presents a great opportunity for AVJennings. While immigration is expected to temper in the coming years and see a policy shift towards skilled workers and away from students, the rise in immigration will continue to put pressure on housing. As the population increases, so too does demand for housing, both owner occupier and investor, and at a time when supply is well below long-term levels and is forecast to remain so for an extended period. Although currently tempered, we expect improved consumer confidence to translate through to increased conversion as the macroeconomic environment stabilises. This, combined with growth in established market house prices and the growing supply shortfall, is expected to support realisation of higher sales prices over time. AVJennings is well positioned to capitalise on this thematic by responding with increased supply to market as consumer demand improves.

We expect to see a revenue and earnings skew heavily towards the fourth quarter of FY24.

OPERATING AND FINANCIAL REVIEW (continued)

OUTLOOK (continued)

Our Joint Venture with Pro9 to establish an Australian manufacturing facility is a key element in our ability to expedite delivery of built-form housing. While not expected to have a material impact on AVJennings' profit profile in the near term, our ability to utilise prefabricated walls to deliver homes faster than typical construction methodologies with significantly improved customer outcomes in relation to sustainability, quality and certainty, building benefits, as well as broader business benefits, will become a competitive advantage.

Although we believe we are near, or at, the top of the interest rate cycle, the possibility of further increases in interest rates and elevated cost of living both continue to pose a risk to the housing market. Enquiry levels have softened slightly from late FY23, where a pause in interest rate increases drove a spike in enquiries. However, the quality of enquiries is improving, resulting in an improvement of over 50% in the conversion rate since FY23. As there is greater confidence around the forward interest rate cycle, potential purchasers will benefit from stable borrowing costs and borrowing power which should continue to support improved conversion rates. Our competitive pricing and high-quality product put us in a strong position to benefit.

Equally, our business remains exposed to fluctuations in financing costs and sustained, elevated interest rates as well as capital availability and these may impact our overall profitability and growth.

While supply chain and material pricing risks are no longer a significant risk, labour rates continue to increase in conjunction with historically low levels of unemployment. Our long-term relationships with suppliers, strong visibility of our forward pipeline and growing use of prefabricated solutions help to offset the impact of these risks on our profitability.

Despite the near-term risks, AVJennings remains confident of our ability to harness emerging opportunities based on our commitment to adaptability and customer-focused products. Added to this, the modernisation work around our business and capital structure are already under way and these elements set us up well to take advantage of the market recovery. We will continue to prioritise quality, customer satisfaction, innovation and disciplined capital management to position ourselves as a resilient and leading player in the residential development market. Our history of over 90 years is testament to our ability to do so successfully.

DIVIDENDS

Directors made a decision to not declare an interim dividend for FY24 in response to ongoing forward market uncertainty (31 December 2022: 1.1 cents per share). The Dividend Reinvestment Plan (DRP) will also remain suspended.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

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

Directors' Report

For the half-year ended 31 December 2023

ROUNDING

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

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

Philip Kearns AM
Director
26 February 2024

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Auditor's Independence Declaration to the Directors of AVJennings Limited

As lead auditor for the review of the half-year financial report of AVJennings Limited for the half-year ended 31 December 2023, 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Anthony Ewan
Partner
26 February 2024

AVJennings

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2023

	Note	31 December 2023 $'000	31 December 2022 $'000
Continuing operations			
Revenue from contracts with customers	3	120,437	140,434
Revenue		**120,437**	**140,434**
Cost of sales	4	(89,382)	(91,327)
Gross profit		**31,055**	**49,107**
Share of loss of equity accounted investments	11	(203)	(10)
Change in expected credit loss allowance		(59)	-
Change in inventory loss provisions	4	(1,159)	(1,400)
Fair value adjustment to investment property	13	324	(51)
Selling and marketing expenses		(3,025)	(2,099)
Employee expenses		(14,926)	(14,447)
Other operational expenses		(2,367)	(2,664)
Management and administration expenses		(4,639)	(5,816)
Depreciation and amortisation expenses	4	(835)	(855)
Finance income	4	278	146
Finance costs	4	(389)	(236)
Other income	4	130	143
Profit before income tax		**4,185**	**21,818**
Income tax	5	(1,389)	(6,627)
Profit after income tax		**2,796**	**15,191**
Other comprehensive income			
Foreign currency translation gain		783	1,967
Other comprehensive income		**783**	**1,967**
Total comprehensive income		**3,579**	**17,158**
Profit attributable to owners of the Company		**2,796**	**15,191**
Total comprehensive income attributable to owners of the Company		**3,579**	**17,158**
Earnings per share (cents):			
Basic earnings per share		0.61	3.74
Diluted earnings per share		0.61	3.74

AVJennings

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023 $'000	30 June 2023 (Restated)* $'000
Current assets			
Cash and cash equivalents		7,604	12,983
Receivables		11,161	27,434
Inventories		249,550	218,674
Financial assets at fair value through profit or loss	12	7,530	-
Tax receivable		513	-
Other assets		6,542	5,628
Total current assets		**282,900**	**264,719**
Non-current assets			
Receivables		1,816	1,799
Inventories		629,361	588,217
Investment property	13	1,992	1,668
Equity accounted investments	11	4,681	4,884
Financial assets at fair value through profit or loss	12	-	3,500
Plant and equipment		859	993
Right-of-use assets		5,268	5,432
Intangible assets		2,816	2,816
Total non-current assets		**646,793**	**609,309**
Total assets		**929,693**	**874,028**
Current liabilities			
Payables		81,289	133,359
Lease liabilities		1,194	1,053
Tax payable		-	3,301
Provisions		10,720	6,617
Total current liabilities		**93,203**	**144,330**
Non-current liabilities			
Payables		105,470	107,530
Borrowings		246,367	171,301
Lease liabilities		4,426	4,607
Deferred tax liabilities		18,728	18,874
Provisions		2,237	1,416
Total non-current liabilities		**377,228**	**303,728**
Total liabilities		**470,431**	**448,058**
Net assets		**459,262**	**425,970**
Equity			
Contributed equity	7	202,638	173,172
Reserves		9,269	8,239
Retained earnings		247,355	244,559
Total equity		**459,262**	**425,970**

** See note 2(a) for details regarding the restatement.*

AVJennings

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Note	Attributable to equity holders of AVJennings Limited				Total Equity
		Contributed Equity	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	
		$'000	$'000	$'000	$'000	$'000
At 1 July 2022		**173,506**	**1,088**	**5,722**	**227,713**	**408,029**
Comprehensive income:						
Profit for the half-year		-	-	-	15,191	15,191
Gain for the half-year		-	1,967	-	-	1,967
Total comprehensive income for the half-year		**-**	**1,967**	**-**	**15,191**	**17,158**
Transactions with owners in their capacity as owners:						
- Treasury shares acquired	7(b)	(147)	-	-	-	(147)
- Share-based payment expense reversed		-	-	(14)	-	(14)
- Share-based payment expense		-	-	333	-	333
- Dividends paid	6	-	-	-	(2,722)	(2,722)
Total transactions with owners in their capacity as owners		**(147)**	**-**	**319**	**(2,722)**	**(2,550)**
At 31 December 2022		**173,359**	**3,055**	**6,041**	**240,182**	**422,637**
At 1 July 2023		**173,172**	**1,954**	**6,270**	**241,786**	**423,182**
Correction of an error	2(a)	-	15	-	2,773	2,788
At 1 July 2023 (restated*)		**173,172**	**1,969**	**6,270**	**244,559**	**425,970**
Comprehensive income:						
Profit for the half-year		-	-	-	2,796	2,796
Gain for the half-year		-	783	-	-	783
Total comprehensive income for the half-year		**-**	**783**	**-**	**2,796**	**3,579**
Transactions with owners in their capacity as owners:						
- Ordinary share capital raised	7(a)	29,612	-	-	-	29,612
- Treasury shares acquired	7(b)	(146)	-	-	-	(146)
- Share-based payment expense reversed		-	-	(73)	-	(73)
- Share-based payment expense		-	-	320	-	320
Total transactions with owners in their capacity as owners		**29,466**	**-**	**247**	**-**	**29,713**
At 31 December 2023		**202,638**	**2,752**	**6,517**	**247,355**	**459,262**

**See note 2(a) for details regarding the restatement.*

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

	Note	31 December 2023 $'000	31 December 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		145,855	137,164
Payments for land (exclusive of GST)		(57,498)	(36,110)
Payments for development expenditures (exclusive of GST)		(116,784)	(91,191)
Payments to other suppliers and employees (inclusive of GST)		(66,166)	(42,112)
Interest paid	4	(9,964)	(5,794)
Income tax paid		(5,055)	(2,269)
Net cash used in operating activities		**(109,612)**	**(40,312)**
Cash flows from investing activities			
Payments for plant and equipment		(3)	(329)
Interest received	4	278	146
Net cash from/(used in) investing activities		**275**	**(183)**
Cash flows from financing activities			
Proceeds from borrowings		132,136	95,153
Repayment of borrowings		(57,070)	(40,346)
Principal element of lease payments		(573)	(644)
Net payment for treasury shares		(146)	(148)
Dividends paid	6	-	(2,722)
Net proceeds from issue of shares	7(a)	29,612	-
Net cash from financing activities		**103,959**	**51,293**
Net (decrease)/increase in cash and cash equivalents		(5,378)	10,798
Cash and cash equivalents at beginning of the year		12,983	3,274
Effects of exchange rate changes on cash and cash equivalents		(1)	(34)
Cash and cash equivalents at end of the period		**7,604**	**14,038**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

1. CORPORATE INFORMATION

AVJennings Limited ("Company" or "Parent") is a for-profit Company limited by shares domiciled and incorporated in Australia. The Company's 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 54.0175% of the ordinary shares in AVJennings Limited.

The Consolidated Financial Statements of AVJennings Limited for the half-year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 26 February 2024.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These general purpose financial statements for the half-year ended 31 December 2023 are prepared in accordance with the requirements of the *Corporations Act 2001 and AASB 134 Interim Financial Reporting*.

It is recommended that the half-year Consolidated Financial Statements be read in conjunction with the Annual Report for the year ended 30 June 2023 and considered together with any public announcements made by the Company during the half-year ended 31 December 2023 in accordance with continuous disclosure obligations of the ASX listing rules.

All figures in the Consolidated Financial Statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. The accounting policies adopted are consistent with those of the previous financial year.

Some amendments and interpretations apply for the first time in 2023, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

Comparative information

Where necessary, comparative information has been reclassified to conform to the current period's disclosures.

(a) Correction of revenue recognition (understatement)

During the half-year ended on 31 December 2023, a revenue recognition error from the previous period (30 June 2023) was discovered. The error resulted from an omission, specifically the understatement of revenue for our New Zealand operations, totalling $11.6 million, and cost of sales of $7.8 million, for the year ended 30 June 2023.

The sales to Builders in New Zealand, which are at the subject of this error, are recognised when control of the land is transferred to the Builders. This typically occurs after the local Council issues a certificate confirming all subdivision works conditions within a stage have been satisfied, and the Builder has the right to gain access to the land. This aligns with our accounting policy as outlined in Note 3 (b). Despite the issuance of a certificate on 30 June 2023, there was an internal oversight in applying the certificate for revenue recognition. It led to inadvertent exclusion of revenue from the contracts associated with the certificate.

This oversight led to an understatement of both revenue ($11.6 million) and cost of sales ($7.8 million) for the period ending on 30 June 2023. Immediate control improvements are being implemented to ensure ongoing completeness of revenue recognition.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(a) Correction of revenue recognition (understatement) (continued)

There is no impact of the restatement of the Statement of Comprehensive Income on the prior comparable period (31 December 2022), as the revenue recognition error occurred in the second half of FY23. Below, we have disclosed the effects of the restatements:

- Statement of Comprehensive Income as at 30 June 2023 (we have included a disclosure note highlighting the impact on the full year comparatives within the HY24 financials)
- Statement of Financial Position as at 30 June 2023 (prior year comparative within the HY24 financials)

Statement of Comprehensive Income	Note	30 June 2023 Actual $'000	Change $'000	30 June 2023 (Restated) $'000
Continuing operations				
Revenue from contracts with customers	(a)	274,309	11,620	285,929
Revenue		**274,309**	**11,620**	**285,929**
Cost of sales	(b)	(187,379)	(7,768)	(195,147)
Gross profit		**86,930**	**3,852**	**90,782**
Profit before income tax		**30,830**	**3,852**	**34,682**
Income tax	(c)	(9,566)	**(1,079)**	(10,645)
Profit after income tax		**21,264**	**2,773**	**24,037**
Other comprehensive income				
Foreign currency translation	(d)	866	15	881
Other comprehensive income		**866**	15	**881**
Total comprehensive income		**22,130**	**2,788**	**24,918**
Profit attributable to owners of the Company		**21,264**	**2,773**	**24,037**
Total comprehensive income attributable to owners of the Company		**22,130**	**2,788**	**24,918**
Earnings per share (cents):				
Basic earnings per share		5.24	0.68	5.92
Diluted earnings per share		5.24	0.68	5.92

(a) Revenue restated for sales contracts with New Zealand Builders. The recorded revenue slightly deviates from the Receivable amount (net of deposits) recorded in the Statement of Financial Position, mainly due to the foreign currency conversion. Monthly average exchange rate was used for revenue conversion, whereas the balance sheet (receivables) used exchange rate as at 30 June 2023.

(b) The cost of sales for the restated revenue in (a) above is also subject to the exchange rate effect outlined in (a).

(c) Tax effect impact of restated revenue.

(d) Net foreign currency translation effect of the restatement of revenue.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(a) Correction of revenue recognition (understatement) (continued)

Statement of Financial Position	Note	30 June 2023 $'000	Change $'000	30 June 2023 (Restated) $'000
Current assets				
Receivables	(a)	16,769	10,665	27,434
Inventories	(b)	226,487	(7,813)	218,674
Total current assets		**261,867**	**2,852**	**264,719**
Non-current assets				
Inventories		588,217	-	588,217
Total non-current assets		**609,309**	**-**	**609,309**
Total assets		**871,176**	**2,852**	**874,028**
Current liabilities				
Payables	(c)	134,380	(1,021)	133,359
Tax payable	(d)	3,294	7	3,301
Total current liabilities		**145,344**	**(1,014)**	**144,330**
Non-current liabilities				
Deferred tax liabilities	(e)	17,796	1,078	18,874
Total non-current liabilities		**302,650**	**1,078**	**303,728**
Total liabilities		**447,994**	**64**	**448,058**
Net assets		**423,182**	**2,788**	**425,970**
Equity				
Contributed equity		173,172	-	173,172
Reserves	(f)	8,224	15	8,239
Retained earnings	(g)	241,786	2,773	244,559
Total equity		**423,182**	**2,788**	**425,970**

(a) Revenue restated for sales contracts with New Zealand Builders. The recorded revenue in the Statement of Comprehensive Income slightly deviates from the Receivable amount (net of deposits) here, mainly due to the foreign currency conversion and deposits previously paid. The monthly average exchange rate was used for revenue conversion, whereas the receivable was converted using exchange rate as at 30 June 2023.

(b) The cost of sales recorded in inventory for the restated revenue in (a) above is also subject to the exchange rate effect outlined in (a).

(c) Deposits paid, used to decrease the receivable amount owed by Builders.

(d) Tax adjustment for the Group from the restatement.

(e) Tax effect of (a), (b) and (c) above

(f) Net foreign currency translation of NZ related sales

(g) Impact on retained earnings of the restatement.

AVJennings

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

3. REVENUES FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

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

Operating Segments 31 December 2023	NSW $'000	VIC $'000	QLD $'000	SA $'000	NZ $'000	Other * $'000	Total $'000
Types of goods or services							
Sale of land	8,543	31,100	5,163	1,992	2,255	-	**49,053**
Sale of integrated housing	15,199	11,917	21,647	277	-	-	**49,040**
Sale of apartments	-	-	-	-	-	970	**970**
Property development & other services	-	21,374	-	-	-	-	**21,374**
Total revenue from contracts with customers	**23,742**	**64,391**	**26,810**	**2,269**	**2,255**	**970**	**120,437**
Timing of revenue recognition							
Goods transferred at a point in time	23,742	43,017	26,810	2,269	2,255	970	**99,063**
Services transferred over time	-	21,374	-	-	-	-	**21,374**
Total revenue from contracts with customers	**23,742**	**64,391**	**26,810**	**2,269**	**2,255**	**970**	**120,437**

Operating Segments 31 December 2022	NSW $'000	VIC $'000	QLD $'000	SA $'000	NZ $'000	Other* $'000	Total $'000
Types of goods or services							
Sale of land	9,080	20,478	26,354	11,656	30,625	-	**98,193**
Sale of integrated housing	25,980	5,365	5,676	1,498	-	-	**38,519**
Sale of apartments	-	908	-	-	-	1,655	**2,563**
Property development & other services	-	1,159	-	-	-	-	**1,159**
Total revenue from contracts with customers	**35,060**	**27,910**	**32,030**	**13,154**	**30,625**	**1,655**	**140,434**
Timing of revenue recognition							
Goods transferred at a point in time	35,060	26,751	32,030	13,154	30,625	1,655	**139,275**
Services transferred over time	-	1,159	-	-	-	-	**1,159**
Total revenue from contracts with customers	**35,060**	**27,910**	**32,030**	**13,154**	**30,625**	**1,655**	**140,434**

*Includes Western Australia

3. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

(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. In most cases, transfer of control occurs at settlement when legal title passes to the customer, and an enforceable right to payment exists.

In certain contractual arrangements, as detailed below, the customer obtains control before settlement. In these cases, revenue is recognised prior to settlement once the customer has obtained control and a right to payment exists:

- Revenue from the sales of land on deferred terms to builders in New Zealand.
  The builder gains control of the land at the point when the contract is unconditional, physical works on land are complete, and building can be commenced.

- Sales of englobo land on deferred terms.
  Control passes to the customer when the contract is unconditional, physical works on land are complete, and the customer has unconditional rights to the land before settlement.

- Revenue from the sales of land to builders in Australia.
  In this scenario, land is sold to the builder who is the ultimate purchaser, rather than acting as a conduit between AVJennings and a retail purchaser. The builder obtains control of the land when certain conditions are met: the contract becomes unconditional, physical works on the land are completed, and building can be commenced.

(ii) Property development and other services

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

(iii) Financing components

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

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

4. INCOME AND EXPENSES

	31 December 2023 $'000	31 December 2022 $'000
Revenues		
Revenue from contracts with customers	120,437	140,434
Total revenues	**120,437**	**140,434**
Cost of sales		
Cost of sales - Development expenditure	84,039	87,274
Cost of sales - Borrowing and holding costs	5,398	6,384
Utilisation of inventory provisions	(55)	(2,331)
Total cost of sales	**89,382**	**91,327**
Impairment of assets		
Impairment loss - software costs	-	1,367
Change in expected credit loss allowance	59	-
Change in inventory loss provisions	1,159	1,400
Depreciation and amortisation expenses		
Depreciation of owned assets	137	111
Amortisation of right-of-use assets	698	744
Total depreciation and amortisation expense	**835**	**855**
Finance income		
Interest received	278	146
Total finance income	**278**	**146**
Finance costs		
Bank loans and overdrafts	9,785	5,639
Interest on lease liabilities	179	155
Total finance costs	9,964	5,794
Less: Amount capitalised to inventories	(9,575)	(5,558)
Finance costs expensed	**389**	**236**
Other income		
Rent from investment property	66	64
Sundry income	64	79
Total other income	**130**	**143**

AVJennings

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

5. INCOME TAX

	31 December 2023 $'000	31 December 2022 $'000
(a) Income tax expense		
The major components of income tax are:		
Current income tax		
- Current income tax charge	1,221	6,857
- Adjustment for prior year	-	160
Deferred income tax		
- Current temporary differences	168	(240)
- Adjustment for prior year	-	(150)
Income tax reported in the *Consolidated Statement of Comprehensive Income*	**1,389**	**6,627**

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

	31 December 2023 $'000	31 December 2022 $'000
Accounting profit before income tax	**4,185**	**21,818**
Tax at Australian income tax rate of 30%	1,256	6,545
Net share of equity accounted joint venture loss	61	3
Share-based payment expense	43	96
Other non-deductible items	14	31
Foreign jurisdiction losses	-	36
Effect of lower tax rate in foreign jurisdiction	15	(244)
Adjustment for prior year	-	160
Income tax expense	**1,389**	**6,627**
Effective tax rate	**33%**	**30%**

6. DIVIDENDS

	31 December 2023 $'000	31 December 2022 $'000
Cash dividends declared and paid		
2022 final dividend of 0.67 cents per share, paid 21 September 2022. Fully franked @ 30% tax	-	2,722
Total cash dividends declared and paid	**-**	**2,722**
Dividends proposed		
2023 interim dividend of 1.1 cents per share, paid 24 March 2023. Fully franked @ 30% tax	-	4,469
Total dividends proposed	**-**	**4,469**

Directors made a decision to not declare an interim dividend for FY24 in response to ongoing forward market uncertainty (31 December 2022: 1.1 cents per share). The Dividend Reinvestment Plan (DRP) will also remain suspended.

7. CONTRIBUTED EQUITY

	31 December 2023 Number	30 June 2023 Number	31 December 2023 $'000	30 June 2023 $'000
Ordinary shares	558,270,857	406,153,457	207,538	177,926
Treasury shares	(414,113)	(785,878)	(4,900)	(4,754)
Share capital	**557,856,744**	**405,367,579**	**202,638**	**173,172**
(a) Movement in ordinary share capital	**Number**	**Number**	**$'000**	**$'000**
At the beginning of the year	406,153,457	406,230,728	177,926	177,961
Share buyback and cancellation	-	(77,271)	-	(35)
Issued pursuant to the rights issue	152,117,400	-	29,612	-
At the end of the period	**558,270,857**	**406,153,457**	**207,538**	**177,926**
(b) Movement in treasury shares	**Number**	**Number**	**$'000**	**$'000**
At the beginning of the year	(785,878)	(498,815)	(4,754)	(4,455)
On market acquisition of shares	(405,268)	(694,065)	(146)	(299)
Employee share scheme issue	777,033	407,002	-	-
At the end of the period	**(414,113)**	**(785,878)**	**(4,900)**	**(4,754)**

During the reporting period, the Company invited its shareholders to subscribe to a fully underwritten rights issue. It involved the issuance of fully paid ordinary shares ("New Shares") through a pro-rata accelerated renounceable entitlement offer exclusively for existing shareholders. Shareholders were subscribed for 1 New Share for every 2.67 shares held as of the Record Date (13 October 2023) at a share price of $0.20 per New Share ("Issue Price"). This Issue Price represented a 50.0% discount to the last closing price on 10 October 2023.

Share capital net proceeds of $29,612,367 was raised after transaction costs of $811,113. The net proceeds from this Equity Raising will primarily be used to accelerate built-form housing to meet the anticipated growth in demand for 'AVJ Turnkey' built-form homes.

The Equity Raising resulted in the issuance of approximately 152.1 million New Shares. These New Shares carries equal status with existing shares.

Treasury shares are held by AVJ Deferred Employee Share Plan Trust (AVJDESP) and deducted from contributed equity.

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

8. OPERATING SEGMENTS

The Group operates primarily in residential development.

The Group determines segments based on information that is provided to the Managing Director who is the Chief Operating Decision Maker (CODM). The CODM assesses the performance of each segment and makes decisions regarding the allocation of resources to each segment. Each segment prepares a detailed finance report on a monthly basis which summarises the historic results of the segment and forecast of the segment for the remainder of the year.

Reportable segments

Jurisdictions:

This includes activities relating to land development, integrated housing and apartments development.

Other:

This includes activities relating to apartments in Western Australia and other low multiple value items.

8. OPERATING SEGMENTS (continued)

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

Operating Segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 December		31 December		31 December		31 December		31 December		31 December		31 December	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revenues														
External sales	23,742	35,060	43,017	26,751	26,810	32,030	2,269	13,154	2,255	30,625	970	1,655	99,063	139,275
Management fees	-	-	21,374	1,159	-	-	-	-	-	-	-	-	21,374	1,159
Total segment revenues	**23,742**	**35,060**	**64,391**	**27,910**	**26,810**	**32,030**	**2,269**	**13,154**	**2,255**	**30,625**	**970**	**1,655**	**120,437**	**140,434**
Results														
Segment results	5,853	8,003	(1,278)	(760)	2,019	2,870	(1,460)	1,156	(898)	11,972	579	(251)	4,815	22,990
Share of loss of equity accounted investments	-	-	-	-	-	-	-	-	-	-	(203)	(10)	(203)	(10)
Other non-segment revenue	-	-	-	-	-	-	-	-	-	-	342	225	342	225
Rent from investment property	-	-	66	64	-	-	-	-	-	-	-	-	66	64
Change in inventory loss provisions	(1,145)	(1,400)	-	-	-	-	(14)	-	-	-	-	-	(1,159)	(1,400)
Fair value adjustments	-	-	324	(51)	-	-	-	-	-	-	-	-	324	(51)
Profit/(loss) before income tax	**4,708**	**6,603**	**(888)**	**(747)**	**2,019**	**2,870**	**(1,474)**	**1,156**	**(898)**	**11,972**	**718**	**(36)**	**4,185**	**21,818**
Income tax													(1,389)	(6,627)
Profit after income tax													**2,796**	**15,191**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

8. OPERATING SEGMENTS (continued)

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

Operating Segments	NSW		VIC		QLD		SA		NZ		Other		Total	
	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 (Restated)* $'000
Assets														
Segment assets	240,985	232,460	365,285	332,457	184,833	164,015	38,789	33,543	86,239	93,196	13,562	18,357	929,693	874,028
Total assets	**240,985**	**232,460**	**365,285**	**332,457**	**184,833**	**164,015**	**38,789**	**33,543**	**86,239**	**93,196**	**13,562**	**18,357**	**929,693**	**874,028**
Liabilities														
Segment liabilities	57,924	64,413	93,213	120,324	41,761	57,889	2,857	1,506	12,229	21,317	262,447	182,609	470,431	448,058
Total liabilities	**57,924**	**64,413**	**93,213**	**120,324**	**41,761**	**57,889**	**2,857**	**1,506**	**12,229**	**21,317**	**262,447**	**182,609**	**470,431**	**448,058**

** See note 2(a) for details regarding the restatement.*

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

9. NET TANGIBLE ASSET BACKING

	31 December 2023	30 June 2023 (Restated)*
Net Tangible Asset (NTA) backing - cents per ordinary share	81.8	104.4

** See note 2(a) for details regarding the restatement.*

The number of ordinary shares used in the computation of NTA as at 31 December 2023 was 557,856,744 (30 June 2023: 405,367,579). Refer to note 7 for details.

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

10. INTEREST IN JOINT OPERATIONS

The Group engages in a joint operation, holding a 49% interest, with AustralianSuper (AS Residential Property No 2 Pty Ltd) to deliver the "Lyndarum North" project in Wollert, Victoria.

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

	31 December 2023 $'000	31 December 2022 $'000
Revenues	8,402	8,120
Cost of sales	(6,056)	(6,642)
Other expenses	(497)	(461)
Profit before income tax	**1,849**	**1,017**
Income tax	(555)	(305)
Profit after income tax	**1,294**	**712**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

11. EQUITY ACCOUNTED INVESTMENTS

Interests in a Joint Venture are accounted for using the equity method of accounting and are initially carried at cost. Under the equity method, the Group's share of the results of the Joint Venture are recognised in the *Consolidated Statement of Comprehensive Income*, and the share of movements in reserves is recognised in the *Consolidated Statement of Financial Position*. The information is set out below:

Equity accounted investments	Interest held		Share of loss	
	31 December 2023	30 June 2023	31 December 2023 $'000	31 December 2022 $'000
Pindan Capital Group Dwelling Trust	33.3%	33.3%	(203)	(10)
Pro9 Australia Pty Ltd	5.0%	5.0%	-	-
Loss after income tax			**(203)**	**(10)**

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Pro9 Australia Pty Ltd is a Joint Venture established in June 2023 between AVJennings and Pro9 Global Limited. Its primary objective is to manufacture the highly durable and energy efficient Pro9 prefabricated walling system in Australia. At 31 December 2023, AVJennings holds a 5% equity interest in the Joint Venture (30 June 2023: 5%), while Pro9 Global Limited holds a 95% equity interest.

As at 31 December 2023, AVJennings has provided a loan totalling $7.53 million (30 June 2023: $3.50 million) to the Pro9 Joint Venture. This loan, along with any subsequent loan, is convertible into an equity interest in the Pro9 Joint Venture when the loan matures.

	31 December 2023 $'000	30 June 2023 $'000
Current		
Loan to Pro9 Joint Venture	7,530	-
Total current loan	**7,530**	**-**
Non-current		
Loan to Pro9 Joint Venture	-	3,500
Total non-current loan	**-**	**3,500**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2023

13. INVESTMENT PROPERTY

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

The Group values its investment property at fair value, and revaluations are recognised through the profit and loss statement. External, independent valuers conduct valuations at least once every three years, in compliance with accounting standards. The most recent external valuation was conducted by Knight Frank on 24 November 2021. In the intervening years, internal valuations are prepared.

As of 31 December 2023, the property was valued at $1,992,000 (30 June 2023: $1,668,000).

	31 December 2023 $'000	30 June 2023 $'000
Opening balance at 1 July	1,668	1,756
Gain/(loss) from fair value remeasurement	324	(88)
Closing balance at end of period	**1,992**	**1,668**

14. BORROWINGS

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

The Group amended the terms of the bank loans during the period. It remains compliant with all the conditions.

15. CONTINGENCIES

Secured

Performance guarantees

Contingent liabilities in respect of certain performance guarantees, granted by the Group's bankers in the normal course of business to unrelated parties, at 31 December 2023, amounted to $1,425,000 (30 June 2023: $7,931,000). No material liability is expected to arise.

Financial guarantees

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 31 December 2023, amounted to $1,968,000 (30 June 2023: $768,000). No material liability is expected to arise.

Unsecured

Contract performance bond facility

The Parent Entity has entered into Deeds of Indemnity with various controlled entities to indemnify the obligation of those entities in relation to contract performance bond facilities. Contingent liabilities in respect of certain performance bonds, granted by the Group's financiers, in the normal course of business as at 31 December 2023, amounted to $32,200,000 (30 June 2023: $30,227,000). No material liability is expected to arise.

16. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2023 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.

AVJennings®

Directors' Declaration

For the half-year ended 31 December 2023

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

In the opinion of the Directors:

a) The Consolidated Financial Statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at 31 December 2023 and of the performance for the half-year ended on that date; and

   (ii) complying with *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Philip Kearns AM
Director

26 February 2024

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Independent Auditor's Review Report to the Members of AVJennings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AVJennings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

AEwan

Anthony Ewan
Partner
Sydney
26 February 2024