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# Housing matters. Community matters.



Celebrating 90 years  
of creating communities.



## CREATING BRIGHTER FUTURES FOR 90 YEARS.

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In 1932, a young man, later known as Sir Albert Victor Jennings, started his home-building business. His goal was a simple one – to help more people fulfil their dream of buying a home.

In the 90 years since then, that goal has never changed. Not for a day. Sir Albert's dream was made real by following three down-to-earth principles. Give people a quality home in an attractive community at a fair price. These principles also remain unchanged.

For 90 years they have stood strong because what matters most to people stays the same across the generations.

Family. Friends. Connection. Security. Privacy. Good health. Happiness. Shared memories. The communities we create today capture the spirit of contemporary living. Places where you can be active and connected. Places that celebrate diversity in all its forms.

As we have for the past 90 years, AVJennings will continue to give people homes to be proud of in innovative and sustainable communities, for generations to come.

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# Chairman's Report.

Dear fellow shareholders, on behalf of the Board of Directors, I am pleased to present our 2022 Annual Report. Financial year 2022, marks the 90th year in AVJennings' proud and successful journey.

2022 was another challenging year with the business experiencing the ongoing effects of COVID-19 disruptions on our stakeholders including staff, suppliers and sub-contractors. Supply chain issues led to material shortages and cost increases affecting important and critical products including timber, steel and concrete. Skilled labour shortages impacted the sub-contractor trade base, local councils and authorities. Most of all, the persistent relentless adverse weather events affected our projects in New South Wales, Queensland and Auckland (New Zealand). These all impacted the ability to meet production targets.

Despite all the challenges in FY22, the business remained profitable, increased gross margins, continued to pay fully franked dividends and maintained a strong financial position.

During the year, the Company also saw some changes at the management level. Our long serving CEO Peter Summers retired. On behalf of the Board, I want to thank Peter for his demonstrated leadership and contributions to the Company over almost 37 years. Sadly, Larry Mahaffy, the Company's respected Chief Financial Officer, passed away after a long illness. We pay our respects to Larry's family and remain grateful for Larry's ten years of dedicated service to the Company.

The Board was delighted to appoint Philip Kearns, AM as CEO in November 2021. Prior to his appointment, Phil was a Non-Executive Director of AVJennings for two years and has had a relationship with the Company going back over ten years. His knowledge of the Company and its operations was considered invaluable. As was Phil's leadership experience and success as the former Captain of the Australian Rugby Union team, The Wallabies, combined with over fifteen years' experience in leading financial services organisations, where he led significant cultural change and was instrumental in building a client base and introducing investors to innovative opportunities. Phil brings quality and leadership that fits very well with the Board's strategic direction for the Company, and he will be a great asset.

Despite risks including the rising interest rate environment and inflationary pressures, we continue to see positive underlying dynamics which support our business across the short to medium term. The massive infrastructure projects like the inland rail and the second Sydney airport need sustained strong population growth to succeed. Across Australia and New Zealand there is a shortage of labour with unemployment in Australia being the lowest it has been in history. While migration came to a standstill during the pandemic, the government now forecasts over 200,000 net migrants to Australia each year.

There remains an undersupply of affordable housing and we are confident our business model and positive industry dynamics will deliver benefits for all our stakeholders in coming years.



**“We have implemented a growth strategy focused on growing Earnings per Share and Return on Equity”**

We have implemented a growth strategy focused on growing Earnings per Share and Return on Equity. Recent acquisitions in the south-east of Melbourne and south-west of Brisbane have further diversified our land bank and will contribute to future growth.





Throughout AVJennings' 90-year history, we have been focused on creating communities. The feeling of community is deeply entrenched in the AVJennings psyche. We support sporting and lifestyle groups across our sites and shareholders will know our longevity in supporting the Steve Waugh Foundation. Since our involvement with Steve, we have raised over \$1.2 million for his foundation. This year, we also supported the Humpty Dumpty Foundation including fundraising initiatives by our dedicated employees, leading to the purchase of equipment for hospitals including The Northern Hospital in Victoria and the Ipswich Hospital in Queensland, both in close proximity to the communities we create. We know this equipment could one day save the life of a child in our community.

I would like to thank our Directors for their continuing leadership, direction and commitment. During the year we were pleased to welcome Mr Lye Mun Mak as a Non-Executive Director. Mr Mak is also a director of two Singapore listed companies and an independent non-executive director of SC Global Developments Pte Ltd, AVJennings' majority shareholder. His extensive experience and his financial expertise adds to the Board's strong mix and depth of skills, knowledge and experience.

The appointment of Mr Mak followed the retirement of Director Mr Boon Leong Tan which was announced at the Company's 2021 Annual General Meeting. The Board is extremely grateful to Mr Tan for his years of dedicated service as a Director and wish him the very best for the future.

Finally, I would like to thank every one of you who have walked with us on our 90th year journey. Our management, employees, community stakeholders, partners, government agencies, shareholders, financiers and customers. Your continued commitment and support in the Company form the foundations for our future success and sustained growth.

**Simon Cheong**  
Chairman

# 2022 Summary.

## Traditional Markets.

Revenue

### \$222.8m

down \$88.3m 28.4% ↓

Profit before tax

### \$17.9m

down \$8.8m 32.8% ↓

Cash receipts from customers

### \$275.6m

## Quality Asset Base.

Portfolio

### 12,733 lots

(Includes land under option)

Net funds employed spread geographically.



Work in progress

### 1,888 lots

## Strong Stability.

Total fully franked dividends

### 1.77 cps

Net debt

### \$105.9m

Gearing

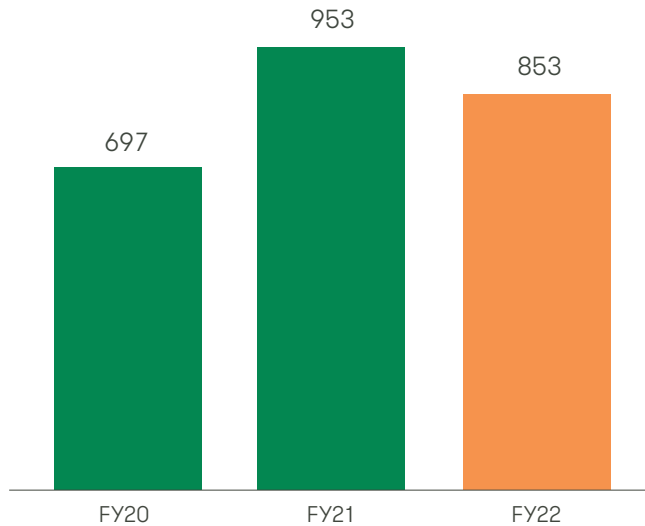
### 14.5%

## YOY Comparison

|                                          | FY22            | FY21     | Change  |
|------------------------------------------|-----------------|----------|---------|
| Total revenue                            | <b>\$222.8m</b> | \$311.1m | (28.4)% |
| Statutory profit before tax              | <b>\$17.9m</b>  | \$26.7m  | (32.8)% |
| Statutory profit after tax               | <b>\$13.1m</b>  | \$18.7m  | (30.1)% |
| Gross margins                            | <b>28.8%</b>    | 22.6%    | 6.2pp   |
| Net tangible assets (NTA)                | <b>\$405.2m</b> | \$406.3m | (0.3)%  |
| NTA per share                            | <b>\$1.00</b>   | \$1.00   | (0.3)%  |
| EPS (cents per share)                    | <b>3.22</b>     | 4.62     | (30.3)% |
| Dividend fully franked (cents per share) | <b>1.77</b>     | 2.50     | (29.2)% |

# 2022 Summary.

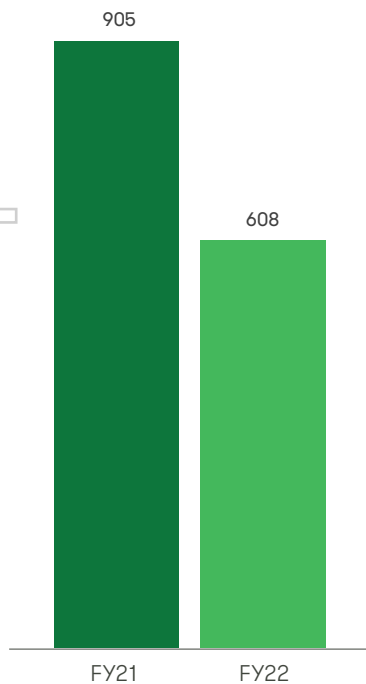
## Contract signings (Lots)



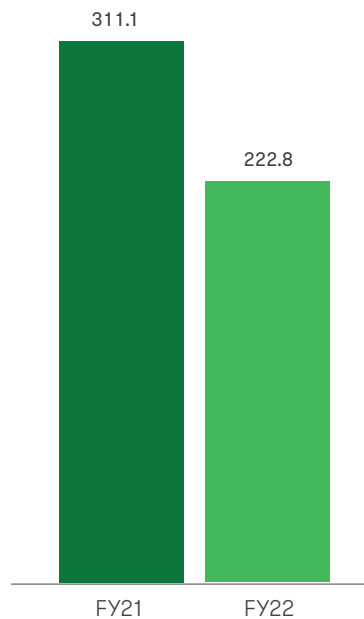
- Contract signings volume and value is a positive indicator for future revenue and earnings confidence.
- 683 presold lots (contract value \$245m) were carried over the year-end balance date, 642 of which are expected to settle or be revenue-recognised in FY23.
- A further 34 lots have been contract signed in July 2022, collectively supporting FY23 results.

## Results Summary

### Settlements (Lots)

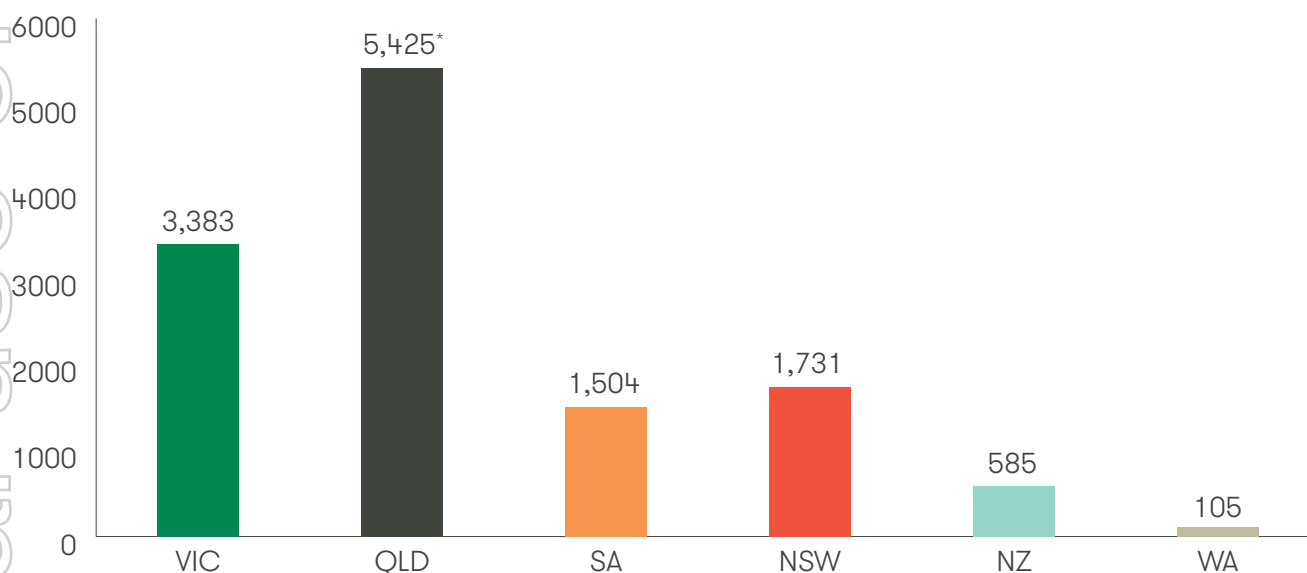


### Revenue (\$m)



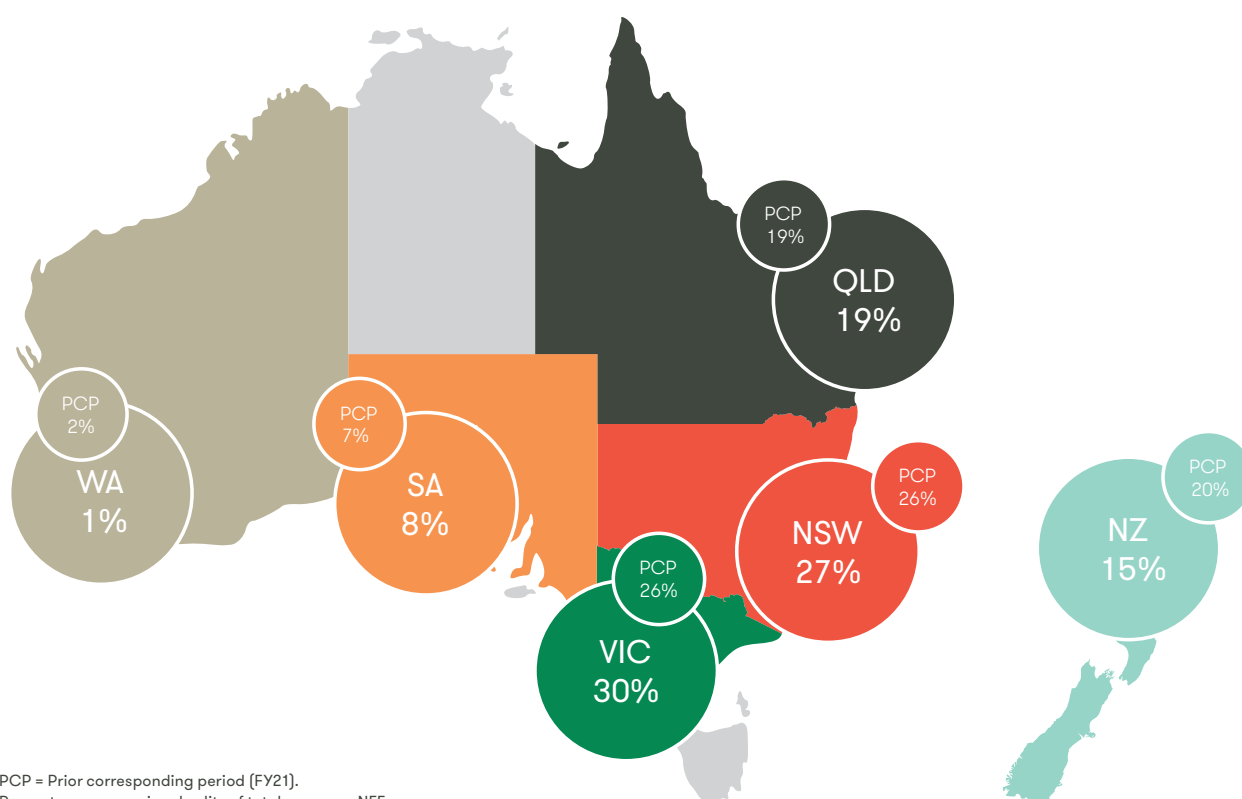
# Property Portfolio.

Number of lots at 30 June 2022.



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

Net funds employed by region.



PCP = Prior corresponding period (FY21).  
Percentages are regional splits of total company NFE.



# Project Pipeline.

At 30 June 2022.

Pre-delivery phase  
Development phase

| Region            | Communities                                       | Remaining no. of lots. | Pre | FY2023 | FY2024 | FY2025 | FY2026 | Post |
|-------------------|---------------------------------------------------|------------------------|-----|--------|--------|--------|--------|------|
| NEW SOUTH WALES   | Argyle, Elderslie                                 | 92                     |     |        |        |        |        |      |
|                   | Evergreen, Spring Farm (South)                    | 13                     |     |        |        |        |        |      |
|                   | Evergreen, Spring Farm (East Village)             | 396                    |     |        |        |        |        |      |
|                   | Arcadian Hills, Cobbitty                          | 52                     |     |        |        |        |        |      |
|                   | Arcadian Grove, Cobbitty                          | 7                      |     |        |        |        |        |      |
|                   | Rosella Rise, Warnervale                          | 527                    |     |        |        |        |        |      |
|                   | Prosper, Kogarah                                  | 56                     |     |        |        |        |        |      |
|                   | Huntley                                           | 194                    |     |        |        |        |        |      |
|                   | Calderwood                                        | 390                    |     |        |        |        |        |      |
| QUEENSLAND        | Creekwood, Caloundra                              | 12                     |     |        |        |        |        |      |
|                   | Glenrowan, Mackay                                 | 177                    |     |        |        |        |        |      |
|                   | Arbor, Rochedale 2                                | 39                     |     |        |        |        |        |      |
|                   | Riverton, Jimboomba                               | 990                    |     |        |        |        |        |      |
|                   | Deebling Springs, Deebling Heights                | 205                    |     |        |        |        |        |      |
|                   | Cadence, Ripley                                   | 169                    |     |        |        |        |        |      |
|                   | Ripley 3                                          | 333                    |     |        |        |        |        |      |
|                   | Caboolture, Rocksberg                             | 3,500                  |     |        |        |        |        |      |
| NZ                | Ara Hills, Orewa                                  | 585                    |     |        |        |        |        |      |
| VICTORIA          | Lyndarum, Wollert                                 | 83                     |     |        |        |        |        |      |
|                   | Lyndarum North, Wollert JV                        | 1,624                  |     |        |        |        |        |      |
|                   | Aspect, Mernda                                    | 236                    |     |        |        |        |        |      |
|                   | Harvest Square, Brunswick                         | 87                     |     |        |        |        |        |      |
|                   | Waterline Place, Williamstown                     | 185                    |     |        |        |        |        |      |
|                   | Clyde                                             | 942                    |     |        |        |        |        |      |
|                   | Clyde North                                       | 226                    |     |        |        |        |        |      |
| SOUTH AUSTRALIA   | Pathways, Murray Bridge                           | 29                     |     |        |        |        |        |      |
|                   | Riverhaven, Goolwa North                          | 51                     |     |        |        |        |        |      |
|                   | St Clair                                          | 164                    |     |        |        |        |        |      |
|                   | Eyre, Penfield                                    | 1,260                  |     |        |        |        |        |      |
| WESTERN AUSTRALIA | Indigo China Green, Subiaco Fine China Precinct   | 39                     |     |        |        |        |        |      |
|                   | Viridian China Green, Subiaco Fine China Precinct | 2                      |     |        |        |        |        |      |
|                   | The Heights, Kardinya                             | 52                     |     |        |        |        |        |      |
|                   | Parkview, Ferndale                                | 12                     |     |        |        |        |        |      |

Excludes 4 residual lots

# Chief Executive Officer's Report.

I was extremely honoured to be appointed by the Board in November 2021 to lead this iconic and successful business. For 90 years AVJennings has been creating communities and the brand has long been valued and recognised as one of the most trusted in Australia.

The 2022 financial year was challenging and followed on the heels of extremely difficult years in 2020 and 2021. Not long after I took over from Peter Summers as CEO, I talked about leading the business towards normalcy and how much we looked forward to that. Those remarks were contextualised by the unforeseen circumstances created by the global pandemic which severely disrupted operations in 2020 and 2021.

As we all know that perspective turned out to be optimistic. Extraordinary rain events, the continuation of different forms of COVID-19, war, supply chain issues, inflation and interest rate rises all contributed to difficult trading conditions for many industries across Australia and the world, including the residential development market.

In difficult times it is often best to 'stick to your knitting' and that's what we continue to do at AVJennings. We remain focused on developing and selling affordable master planned communities in sought after locations and buying land or obtaining controlling interests in it.

At all stages in our developments, we consider what is right for our communities and what is right for our environment as we engage with issues such as energy, water, biodiversity, climate and waste. All these factors play a role in the master planning and house designs that we put into our communities. We are in fact raising the bar in this area and we have commissioned a new role, Head of the Future and Sustainability, as we look out to what our customers, communities and partners want to see from AVJennings over the next 20-30 years.

One of my initial priorities was to define and clarify our Company's strategic focus. Over the next few years, we plan to extract greater productivity and efficiency with our current resources. We are looking to make more capital efficient transactions as the market evolves through this interest rate cycle and this includes acquisitions in regional areas. This is important as society explores some shift to regional areas and the work from home model becomes entrenched in our culture.

We are committed to increasing the volume and proportion of built form product we put on our land and into our communities. Financially our focus is fairly and squarely on lifting Return on Equity (ROE) and increasing Earnings per Share (EPS).

We continue to ensure that our portfolio is diverse as it helps to mitigate market risk and we now have over 12,700 lots across all major states and in New Zealand which is another area we see growth.

During the year we secured acquisitions in Clyde in Victoria and Ripley in Queensland. Clyde, in the south-east of Melbourne, is a strong growth area and further diversifies our book into an area we have not ventured into for a while but has a dynamic story. The 333 lots acquired in Ripley, Brisbane are close to an area we know from our Cadence project, and we feel the fundamentals in that area remain strong as it is a much sought-after location.

As I mentioned above, the abnormal wet weather along the east coast of Australia and New Zealand had a major impact in delaying settlements with some sites suffering over 100 working days in wet weather stoppages. Global issues such as supply chain challenges leading to material shortages added to labour shortages and COVID-19 have affected the whole industry and we have not been exempted from these.



**“ The Company remains committed to delivering outcomes for our customers, stakeholders and the broader community. ”**

While the result was lower due to the reasons stated previously, there are some shining lights. Whilst our profit before tax was down over 30% to \$17.9 million it was at the upper end of the range we had forecast and our gross margins were 28.8%, up from 22% the previous year.

A final dividend of 0.67 cents per share was declared for FY22, bringing total dividends for the year to 1.77 cents per share, representing a fully franked yield of 5.5% on the June 2022 average volume weighted average share price (VWAP).

Australia wasn't the only jurisdiction troubled by weather, supply chain challenges and COVID-19. New Zealand revenue was also affected and, Ara Hills, our majestic project suffered big delays of 85 working days which will see its 2022 revenue leak into 2023.

Arbor Townhomes, Rochedale, Qld  
(Artist's impression)



Despite these challenges, our financial position is strong with our Club facility increased by our banks to \$300 million whilst our borrowings were reduced to \$109 million. Our total assets increased to \$729 million. Despite the dip in settlements and revenue, cash flow from operations remained healthy with \$33.1 million generated.

Given where interest rates have moved and there is potential for market slowdown, our capital management settings have been prudent and leave us with the ability to achieve our growth ambitions.

Prior to closing off my Report, I too would like to acknowledge the sad passing in June 2022 of the Company's respected and popular Chief Financial Officer, Larry Mahaffy. Larry served the Company with

great distinction since he joined in 2012 and he will be sadly missed by his family, colleagues and many contacts across the residential property and banking industries.

Our 2023 financial year is underwritten by 683 contracts on hand with the vast majority to settle through the year. Our growth strategy is in place which includes more built product, our financial position is strong as our levels of unsold stock are at record lows and most importantly, we feel our industry fundamentals support a strong story for the residential development sector with migration set to increase and a housing shortage nationally.

The Company remains committed to delivering outcomes for our customers, stakeholders and the broader community. The Board and I believe we are on the right trajectory to grow revenue and earnings in financial year 2023.

Finally, thank you to all our customers, contractors, employees, and the Board. Everyone has endured a challenging year but the future for AVJennings is as exciting and promising as it was 90 years ago.

**Philip Kearns, AM**  
**Chief Executive Officer**



# Our Communities.

## New South Wales.

Rosella Rise at Warnervale on the Central Coast is a hive of activity with the sales office and display homes now open. We have 2 stages under construction (2a & 2b) which will complete in FY23. Built form construction on our first retail houses will commence in HY23.

At Evergreen (Spring Farm) and Arcadian Hills (Cobbitty) projects where there is a mix of built form and land development, we have seen strong demand throughout FY22 with demand outstripping supply in FY22. At Arcadian Hills we saw the last major civil construction completed and at Arcadian Grove we expect to close out our built form construction and the project in FY23.



Rosella Rise, Warnervale, NSW

## Queensland.

The Queensland business focused on delivery of sold-out stages and projects. This saw the trade out of Anise (Bridgeman Downs), Parkside (Bethania) and Creekwood (Caloundra) as well as the final close on Leichhardt in FY22.

Riverton (Jimboomba) and Cadence (Ripley) developments are in full production mode with both projects impacted by weather but making significant progress in FY22. Each of the projects have a mix of land and housing options which are currently being delivered. These projects will underpin the QLD region results over the coming financial years.

Planning work on the Caboolture project continues with ongoing negotiations with the Queensland Government, Council and Service Authorities on key infrastructure items.

Acquisitions was busy with 2 sites secured in the Ripley Priority Development Area on Daleys Road and Coleman Road.



Riverton, Jimboomba, Qld

## New Zealand.

At Ara Hills in Orewa, north of Auckland, Stages 3a and 2 are under construction with stage 3a due to complete in HY23. There is strong demand for land at Ara Hills with stage 3a effectively sold out.

Our first residents have moved into stage 1 with approximately 20 houses now occupied. Redwood Park has opened and is being enjoyed by our residents and the public.

All AVJennings obligations for land development at the award winning Hobsonville Point have now been closed out.



Ara Hills, Orewa, NZ



Eyre Sports Park, Eyre, SA



Lyndarum North Park, Wollert, Vic

## South Australia.

Eyre residential community remains very popular with demand outstripping supply and recent releases across land and built form selling out in FY22. There are currently 2 stages under construction and a significant increase in the built form being undertaken by AVJennings meeting an affordability niche in the market.

At St Clair, town home construction continues on the sold-out Piper townhomes.

Returning capital from older projects continues with a focus at Pathways (Murray Bridge) and Riverhaven (Goolwa North), with the final stages of each project under construction. We have seen strong customer and builder support for both projects.

## Victoria.

At Lyndarum North (Wollert) demand remained strong in FY22 with this masterplanned community maturing with over 700 lots sold from inception. The high-quality parks remained a key drawcard for the project along with a diversity of housing enabling choice to suit the budget and lifestyle needs of our customers. There are currently 4 stages under construction on the site and we expect our first social infrastructure of a Childcare Centre to open in early FY23.

At Aspect (Mernda) sales and construction on this 230 lot development has seen strong demand with the first stage of the project now complete and 2 further stages under construction.

At Harvest Square (Brunswick West) our public housing renewal project construction of basement works has commenced for the 3 apartment buildings on the site.

In FY22 we acquired 4 sites in Melbourne's South East totaling circa 1,100 lots once complete. Works on the first project at Thompsons Road Clyde have commenced.



Merchant Apartments, Waterline Place, Williamstown Vic (Artist's impression)





# Corporate Governance.

At AVJennings, we recognise that a good corporate governance framework is vital to support a culture that values integrity, respect and ethical behaviour. We are committed to maintaining high standards of corporate governance in the delivery of AVJennings' strategic objectives, so that our decisions and actions are based on transparency, integrity and commitment to the long-term sustainability and on-going success of our business.

## Our Values

A refresh of the Company's core values was undertaken during FY22, with core values identified as:

### Accountability

We own our words, our actions and our impact

### Safety

We are committed to safety and wellness

### People

We are a business of people, for people and by working together will achieve great outcomes

### Integrity

We build trust through high standards of moral and ethical conduct

### Respect

We treat everyone with dignity, fairness and professionalism

### Excellence

We strive for excellence in what we do, deliver and stand for

The values statement is currently being refined and the values will be communicated throughout the organisation through leadership, training, recognition, communication and reinforcement.

## The AVJennings Board

The Board is responsible for ensuring AVJennings' continued prosperity by setting its business strategy, directing its affairs, setting its governance framework and monitoring performance, whilst also meeting the interests and expectations of its shareholders and other relevant stakeholders. It is responsible for identifying areas of significant business risk and ensuring adequate frameworks are in place to manage those risks. The Board Charter, which sets out the Board's key accountabilities, structure and how it conducts itself and the Company's business can be found in the investor section of AVJennings' website, [www.avjennings.com.au](http://www.avjennings.com.au).

The Board has identified a range of core skills, competencies and attributes as desirable of its members, to fulfil its role of oversight effectively. These include industry experience, risk management, compliance oversight, development of strategy and policy, financial literacy, 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. The Board currently comprises of seven Non-Executive Directors and one Executive Director.

## Tenure

As at 30 June 2022, the tenure profile of the Board was as follows:

|              |               |
|--------------|---------------|
| 0-1 year     | = 1 Director  |
| 1 - 4 years  | = 2 Directors |
| 5 - 10 years | = None        |
| > 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, Mr Mak Lye Mun, was appointed to the Board on 15 October 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 seven 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. Committee charters are published in the investor section of AVJennings' website, [www.avjennings.com.au](http://www.avjennings.com.au).

## Risk Management

### Risk Oversight, Monitoring and 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. The Board bears overall responsibility for the Company's risk management framework and is responsible for setting the overall risk culture. It 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.

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. During the year, the Board also reviewed and approved AVJennings' Risk Appetite Statement, which is published in the investor section of AVJennings' website [www.avjennings.com.au](http://www.avjennings.com.au).

The Board meets in the second quarter of each calendar year to review the strategic direction of AVJennings and to consider initiatives and strategies designed to ensure its continued growth and success. At this meeting, the Board also reviews the Company's risk management framework to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks it faces and to ensure it is operating within the risk appetite set by the Board. The Board met in April 2022 to review, assess and set AVJennings' strategic objectives for the next three years.

### Our Principal Risks and How We Address Them

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Property Market Risk</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| These include fluctuations in general economic conditions globally and locally, resulting in changes in prevailing market conditions such as a sustained downturn in property markets, change in consumer sentiment, reduced demand for AVJennings' product and reduction in the value of its land bank.                                                                                                                                                                                                                                                  | The Board and management seek to minimise adverse impacts by monitoring markets in which AVJennings operates on an ongoing basis, adopting strategies that minimise adverse impact, regularly reviewing the value of its land bank, monitoring competitor activity and tailoring commercial decisions (such as land acquisition, volume of work-in-progress) to the forecast commercial environment.                                              |
| <b>Regulatory Risk</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| AVJennings' operations span five States in Australia and New Zealand. Legislation and regulations governing its activities vary in each State. AVJennings is dependent on various State Regulatory Bodies and Councils granting the requisite licenses and approvals required for it to carry on its business. Changes and developments in legislation, regulation and policy in the jurisdictions in which it operates, land resumptions by government authorities and major infrastructure projects may impact AVJennings' operations.                  | Developing relationships with regulatory bodies, making representations through various industry groups of which AVJennings has membership and having processes to expeditiously deal with issues, including staff with specialised skills and knowledge in town planning, building regulation and other related disciplines, are some of the measures used to mitigate potential risks.                                                          |
| <b>Financial Risk</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| These include variations in interest rates and inflation impacting AVJennings' earnings, the inability to obtain funding to finance current and future development activities, potential uninsured losses or under-insurance and changes in commodity prices resulting in increased cost of works, fluctuations in exchange rate and foreign currency risk which could result in a loss, counterparty risks such as purchaser or other third party defaults, insolvencies or financial distress, which could lead to reduced financial liquidity or loss. | AVJennings seeks to mitigate these risks by maintaining a strong balance sheet with appropriate gearing levels, increasing and diversifying its sources of funding, insuring the company's assets, main potential liabilities and personnel under a comprehensive insurance program tailored to its business activities and entering into fixed or guaranteed maximum price construction and supply contracts to mitigate fluctuations in prices. |

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Operational Risk</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| These include impact on profitability as a result of delays or non-completion of Company projects, legal proceedings arising from operations leading to losses and delays.                                                                                                                                                                                                                                                                                                                                                                                                                     | The Company has processes in place to monitor and assess project performance on an ongoing basis. Management is required to provide quarterly reports to the Board on ongoing and potential legal issues, so that the impact of such issues, if any, can be monitored and managed.                                                                                                                                                                               |
| <b>Construction Activity Related Risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| These include the inability of sub-contractors to perform their work in accordance with their obligations, defective work and latent defects arising from incorrect design or poor workmanship, liquidated damages for late delivery, cost overruns and professional liability claims arising from allegations of negligence.                                                                                                                                                                                                                                                                  | AVJennings has in place guidelines for the engagement of suitably licensed and insured sub-contractors and trades people and, to the extent possible, also has in place indemnity insurance to cover any potential claims.                                                                                                                                                                                                                                       |
| <b>Environmental Risk</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Changes in climatic conditions affecting AVJennings' business activities (including adverse weather conditions), soil and water contamination or runoff from project land, the presence of previously unidentified threatened flora and fauna species on project land (which may influence the amount of land available for development) are some of the risks the Board seeks to manage in this area. It also includes cultural heritage issues in particular cultural heritage items, relics and sites of First Nations peoples on land which may be owned by or of interest to the Company. | Management is required to provide regular reports on potential environmental issues affecting development projects under their purview, so that any potential adverse impact can be assessed and managed. Work is also done to minimise any adverse effect on the environment through environmental management plans, cultural heritage management plans and other measures, including use of efficient design, planning and procurement practices.              |
| <b>People and Culture Risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| AVJennings relies on motivated and high quality staff to deliver business strategy and ensure its operations are effectively managed. Dependence on key personnel and loss of such personnel can affect AVJennings' results and operations.                                                                                                                                                                                                                                                                                                                                                    | Development and maintenance of an inclusive group culture, recognition and reward systems, employee assistance programs, compensation and benefit arrangements, training and development are some of the measures used to retain high calibre managers and staff.                                                                                                                                                                                                |
| <b>Workplace Health and Safety Risk</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Accidents at work sites resulting in claims and penalties are potential risks AVJennings faces in this area.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | These are managed by the implementation of stringent workplace health and safety practices, education and training of employees in safe work methods (initiatives such as safe work month, workshops, toolbox meetings and similar mechanisms) and regular review and monitoring.                                                                                                                                                                                |
| <b>Supply Chain Risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| AVJennings has a range of suppliers who provide a diverse range of goods and services to its business. Supply of sub-standard product, business practices of our suppliers and reliability of service providers can impact AVJennings' operations and targets.                                                                                                                                                                                                                                                                                                                                 | Mitigation measures may include selective engagement, rigorous selection criteria, building long-term relationships, pre-qualification processes, appropriate protection mechanisms including warranties, insurance requirements, retentions or other security arrangements as appropriate.                                                                                                                                                                      |
| <b>Information Technology and Cyber Risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| These may include breaches of AVJennings' networks and cyber security systems, unlawful access, misuse or publication of data, outdated business systems and processes.                                                                                                                                                                                                                                                                                                                                                                                                                        | AVJennings is committed to ensuring that information in its possession (including those of its customers) are properly managed in accordance with privacy laws and business requirements. The Company has invested in robust protection systems and is continually looking for ways to enhance its digital capability, harness opportunities to deliver better customer experiences and remain relevant in a world where technology is changing at a rapid pace. |



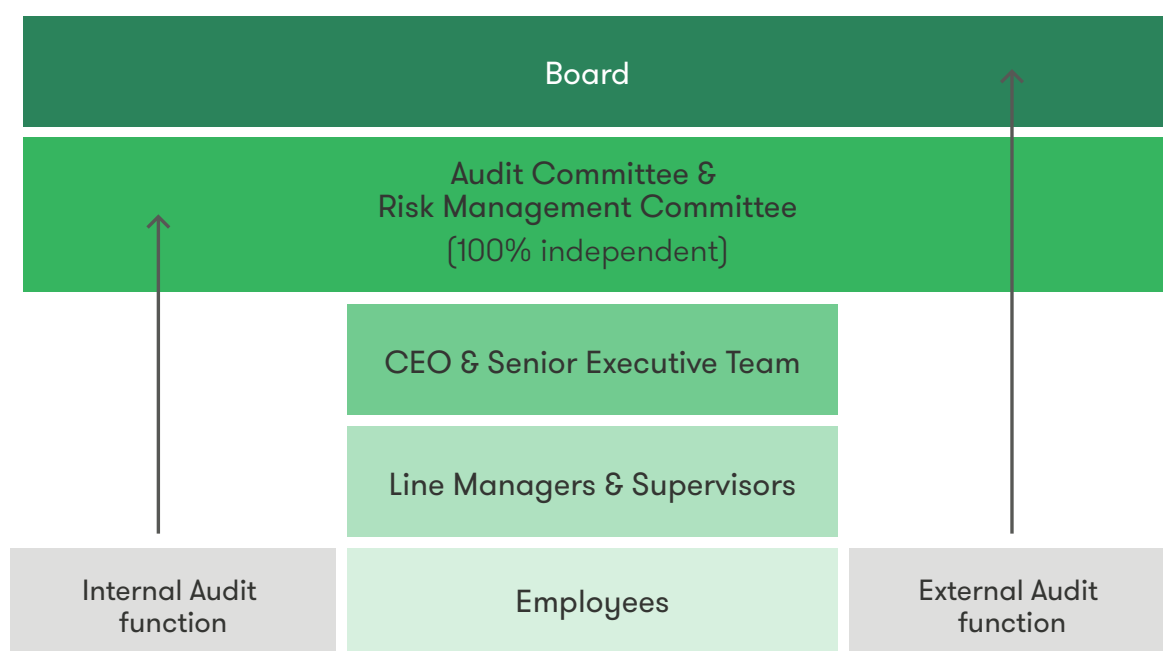
## Our COVID-19 Response

With the lifting of government-imposed restrictions and return of our staff and customers in FY22, many of the lessons learnt in adapting to changing circumstances positioned us well to manage impacts of sporadic lockdowns and isolation requirements that continued as health authorities sought to bring new waves of infection under control. Flexible

and remote working arrangements have continued, with staff encouraged to return to the office to foster connectivity and teamwork. Cleaning and hygiene practices at our offices and sales centres have continued, with pre-arranged appointments, contactless check-in and social distancing measures for our customers still in place.

We continue to engage with our suppliers to manage COVID-19 related supply disruptions, to identify local supply channels where possible and to determine where alternative or substitute materials can be procured and used, if shortages have been experienced.

## 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, policies, 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 Auditor
- 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.

The Company has in place internal controls intended to identify and manage significant business risks. These include the review of development proposals and the management of their ongoing performance. Management prepares the Risk Management Plan and the Board is responsible for reviewing and approving it.

### 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. 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.

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 and operating in New Zealand for the past 15 years.

Celebrating 90 years of creating vibrant and thriving communities, 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.

# Your community developer.

## Sustainability matters (ESG)

We understand that a sustainable business model enables us to manage operations efficiently and effectively and to create value for customers, employees, investors and other key stakeholders. Furthermore, AVJennings recognises that the sustainable development of a business is multifaceted. Therefore, by comprehensively understanding the issues that are material to our business and important to our stakeholders, we can improve or implement new measures that will promote growth, create positive impact, and add value in the long term. With this objective in mind, this year we carried out an environmental, social and governance (ESG) assessment to identify key ESG issues that may impact our business and our ability to support sustainability practices relative to industry standards as well as those that may represent opportunities for our business.

The ESG assessment consisted of comprehensive research to understand global, national, and industry ESG trends impacting our business. This was further complemented by a review of ESG investment trends that may impact our business risk exposure. We also analysed the material ESG topics determined by selected peers and considered expectations expressed in global ESG frameworks and standards, including the Global Reporting Initiative (GRI), the Value Reporting Foundation Sustainability Accounting Standards Board (SASB), the Task Force on Climate-Related Financial Disclosures (TCFD), and leading ESG rating agencies. Additionally, the analysis considered our business nature as a residential property developer.

The ESG assessment identified the key ESG risks and opportunities that have an impact on our ability to create value in the long term. These ESG issues include:

- **Governance and responsible business practices:** corporate governance, corporate behaviour, environmental and socioeconomic compliance.
- **Business model and innovation:** product design – lifecycle management (design for resource efficiency and community impact of new developments), product design – innovation (multi-purpose homes), product design – health (healthy homes), product certification (certified homes) and business model resilience to climate change.
- **Human capital:** talent recruitment and retention, development and engagement, diversity and inclusion and health and safety.
- **Social capital:** product quality and safety (structural integrity and safety), human rights (modern slavery, indigenous people and other human rights), affordable housing and customer experience.
- **Environment:** Ecological impact, waste, energy and emissions management.

As we embark on the path to further improvements to our sustainable business model, our next step will be to determine which of these ESG issues are most material to our business and our stakeholders in order to generate our sustainability framework.

Below we provide a snapshot of our sustainability practices for the FY22 period.

## 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.



Symphony Park, Cadence,  
Ripley, Old



For personal use only



Project X (internal)



Project X (internal)



Project X, Evergreen at Spring Farm, NSW



## How These Objectives are Implemented

### Our Master-planned Communities

With a focus on connectivity, our greenfield projects are located within government designated growth corridors, close to major transport corridors where infrastructure already exists or is being built, creating walkable catchments to local parks and services, encouraging cycling through the creation of dedicated cycling routes and 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 Rosedale (QLD) are close to shopping precincts and other amenities, 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. Efficient block sizes make them more affordable, particularly for first home buyers who make up a significant proportion of our customers.

Designing for the walkable catchment is a core principle where we provide high quality usable amenity within the walkable catchment. This 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 through the 2021 lockdowns and the re-localisation of our communities. 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 Riverton, Jimboomba (QLD) community features will include approximately 46 hectares of multiple family-friendly parks and reserves, a walking trail along the Logan River, areas of nature reserves 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 and construction team recently undertook a successful follow up to our - prefabricated composite walling

house. Where we have extended the prefabrication scope to include windows and roofing and are seeing very positive results in our energy efficiency testing and an expectation that we can significantly exceed the minimum 6 star rating with our early reports on thermal efficiency of a star rating of circa 8.5. The system is sourced from an Australian owned producer.

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. We are seeking to build around 30 of these homes across our stand alone housing and terrace housing range in FY23 across projects in QLD, NSW and VIC.

### 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 has been constructed 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. We are looking now how we incorporate the best features from Project X into our housing range.





Lyndarum North, Wollert, Vic

### 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 underway.

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 holistic 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. We are currently researching having solar as standard for all of our house offerings and are targeting this to be implemented within the medium term.

### 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 drier 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. 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 in 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. 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.

At our Riverton, Jimboomba (QLD) project we have just completed our first stage of revegetation of the endangered Melaleuca Irbyana planting 7500 Irbyana seedlings grown from seed harvest from the site and a further 7500 native endemic species as part of our works to protect and enhance this threatened species.

At our Evergreen, Spring Farm community, 8 hectares of land was dedicated for the preservation of critically endangered Cumberland Woodland 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 Nations 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 Nations peoples across Australia. The Reconciliation Action Plan will take a number of years to complete. The process is being championed by a volunteer steering committee of AVJennings staff. Guidelines are also being developed for engagement with New Zealand's Maori 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. We note that there was no inundation on our QLD and NSW projects where there was flooding in the immediate vicinity of the projects.

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 requirements for buffer zones in the urban design process for the development and housing design standards, which must be complied with.

# 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 90 years, we have helped our customers build a brighter future by creating high quality residential communities that they feel connected to and have ownership over.

## 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 ecologically sustainable 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 Evergreen Project in Spring Farm (NSW) has proven to be very popular with our residents. In Queensland, the first of the community parks at Riverton in Jimboomba has been completed and the major park at Cadence in Ripley is also complete adding great amenity for our new residents.

We regularly engage with our communities to 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

& FY22 due the ongoing impacts of COVID-19, but in 2022 we successfully ran a range of events across our communities 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 continually seek feedback from our customers to ensure that we are the best that we can be. Brand research tells us our customers consider us to be 'professional, affordable' and 'reliable'.

Our ongoing customer survey program invites customer comments and assesses levels of customer satisfaction as our new purchasers and residents move through their homebuying journey with us.

We believe in engaging with our customers and communities. From an initial property enquiry through to residency and beyond, our customers can connect with us virtually or in person at our Sales and Information Centres, digitally via our website, live chat, social media or online community groups or face to face at our community events and family fun days.

Our research tells us that nearly 95% of our customers were satisfied with the customer service they received while purchasing their property, 90% of our customers are satisfied with the quality of their home and 95% of customers feel that their home represents good value for money.

## Some quotes from our happy customers in FY22:

*"I feel AVJennings was professional, experienced and helpful, and no improvement necessary."*  
- Home buyer, Evergreen, NSW.

*"The team at AVJennings went above and beyond to ensure our property was completed on time. The team ensured everything was completed and prioritised our house to be completed."*  
- Home buyer, Arcadian Grove, NSW.

*"It was a marvellous experience. It was our first home buying and we never had any sort of problems. It was indeed a new experience for us. Thank you AVJennings."*  
- Land buyer, Lyndarum North, Vic.

*"Trusted. Experienced. Reliable."*  
- Land buyer, Riverton, Qld.

*"We are at very early stages of our relationship with AVJennings and are very satisfied so far."*  
- Land buyer, Riverhaven, SA.

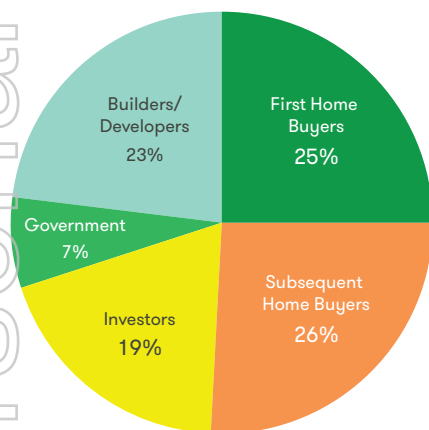
*"We're very satisfied with everything."*  
- Home buyer, Waterline Place, Vic.

*"I am absolutely happy with Anise in all aspects, especially with environmentally friendly construction designs."*  
- First home buyer, Anise, 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 also satisfy the density requirements of councils and regulators and reduce urban sprawl. A quarter 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 FY22, work commenced on our Harvest Square, Brunswick West project in Victoria, a well located inner Melbourne suburb. 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.

## Womens Housing Initiative, Victorian Government's Big Build, Lyndarum Wollert Victoria

We were able to partner with Women's Housing Ltd to participate in the Victorian Government's \$5.3B Big Build initiative to deliver 11 dwellings at our Lyndarum development. The homes are under construction and due for completion in FY23.

## 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.

## Employee Engagement

Our employee engagement surveys measure satisfaction levels across various areas such as overall employee engagement, teams, safety and wellbeing, working environment, career development and leadership. Pleasingly, improvements in overall scores were recorded in our last survey in June 2021 across the areas of working environment, teamwork, and safety and wellbeing compared to the previous survey (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 4.02 (out of a possible 5) was recorded, compared to 3.90 in FY20.

Our parental leave policy has seen 100% of employees on parental leave returning to work during FY22. We continue to review our flexible working arrangements to ensure that it works for both the business and all our employees.

## Learning and Development

The past two years of the pandemic and the results of our engagement survey have underscored the importance of a skills based and inclusive approach to development of our people. New initiatives include the rollout of a learning management system (during Q1 FY23); security awareness training to educate on the various threats that we all face using technology today and an Executive Authentic Confidence programme designed to develop our Women in AVJ.

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.

We also recognise our people through our Service Awards program (retention), and our annual employee awards including the prestigious CEO Award.

## 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 FY22, over 1,000 inspections focusing on Health, Safety and Environment were completed across our workplaces. Included in this number are inspections, as required, for COVID-19 related matters.



## 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, MLC staff superannuation fund and HSBC banking as part of its Corporate Partners Program.

Wellbeing initiatives to improve employee engagement and wellbeing include focussed health weeks for all of our workforce, Safe Work Month in October each year, mental health webinars and EAP awareness month.

## 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 FY22, 49% of our workforce was female. The proportion of women in senior management positions and on the Board was 30% and 12.5% respectively. We will continue to pursue opportunities to promote and attract more females to management and 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 endeavour to build productive, long-term business relationships with key suppliers who share our values and who support us in sourcing products ethically and sustainably, to deliver on our commitments. We regularly engage with key suppliers and subcontractors to ensure ongoing support for our business. We are committed to timely payment to our suppliers to support the viability of their businesses.

We also engaged with our suppliers to identify and address risks of unfair labour practices within their businesses and supply chains and in FY22 published our second Modern Slavery Statement. To ensure our suppliers share our commitment to limiting the risk of modern slavery infiltrating our supply chains, a Modern Slavery Policy setting out AVJennings' position was developed in FY22 and communicated to major suppliers. A Supplier Code of Conduct setting out AVJennings' expectations of its suppliers in the areas of Labour and Human Rights, Workplace Health and Safety, Governance, Ethical Behaviour and Conflicts of Interest and Environmental

Sustainability was approved by the Board in the latter part of FY22. The Code will be communicated to all AVJennings suppliers in the coming months and will also be provided to new suppliers as part of the on-boarding process.

## Our Shareholders

As a listed public Company, we take our disclosure obligations and responsibility to create shareholder value seriously. Our Australian based Directors, particularly our Deputy Chairman, Managing Director, 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), an ad-hoc basis (at other times during the year) and at the Annual General Meeting. These interactions allow AVJennings to articulate its strategy and to also understand our investors' views on our strategy, financial performance and governance.

In August 2021, we held our FY21 results announcement presentation via a webinar conferencing facility, which enabled shareholders to participate virtually and ask questions via the webinar portal. Our Annual General Meeting was also held virtually in October 2021, providing an opportunity for shareholders on our Singapore register to participate in the meeting in real time. The ease of attendance facilitated by the virtual meeting allowed a larger number of shareholders to participate in the meeting, compared to physical meetings held in previous years. The FY22 Annual General Meeting will be held in person (to comply with legal requirements) but we expect that future Annual General Meetings will be held virtually, or at least include a virtual component.

Proud sponsors of





## Community Engagement

### Our Valued Partnerships

Housing Matters, Community Matters, is at the heart of everything we do at AVJennings. This means we not only create great places to live, we also contribute to the broader community through a range of activities, grants and partnerships. Our Company ambassadors, Laura Geitz and Steve Waugh AO hold these same values. Laura, former Australian 'Diamonds' netball captain led her country with distinction and continues to work actively in the community, through promoting a healthy and active lifestyle. Steve, former Australian cricket captain, has pursued his philanthropic work and, through the Steve Waugh Foundation (SWF), provides much-needed support and equipment to the families of children and young people suffering from rare diseases.

AVJennings was the inaugural partner of the Foundation and we are pleased to be able to continue to support its great work. To date we have raised over \$1.2 million for the Foundation through various fundraising activities. One of the major initiatives involves the construction of The Renee series of homes, and this

year we built the Renee 6 at our Riverton community in Jimboomba, Qld. Through the endeavours of the AVJennings team along with the generosity of our supplier partners pitching in with labour and materials, we provide the SWF with proceeds of the sale.

This year AVJennings was pleased to assist the Humpty Dumpty Foundation through its Balmoral Burn initiative. Humpty Dumpty provides hospitals and health services with vital, life-sustaining equipment which may otherwise not be able to be obtained. This year, four AVJennings team members took up the challenge of the Burn which involves running 420 metres up an excruciatingly steep hill to raise funds for this cause. Friends and family attended to cheer on the team.

We continue to proudly support the Queensland Firebirds in the Super Netball League and St Kilda Football Club's AFL and AFLW teams. Through these initiatives our customers, staff, suppliers and the wider community can engage and enjoy unique experiences.

In addition to these major partnerships, we are actively involved in the communities in which our projects are located to

promote healthy and active lifestyles as well as support grass roots clubs and organisations to grow and thrive. Through our grants programs we have provided assistance and donated funds to schools and learning centres, sports and recreational facilities, through to essential services and sustainability-based enterprises. For example Lyndarum North estate, in Wollert (Victoria) supported the purchase of equipment for the Epping Little Athletics Club while at Jimboomba State School (Queensland), much needed funds went to programs and training on personal safety for children through the grants program at Riverton estate. In South Australia, our longstanding partnership with the Eyre Sports Park Association supports the local Rugby League, Soccer and Cricket Clubs.

Our people make these partnerships the success that they are, through volunteering their time in fundraising activities. They epitomise community spirit.

# 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 2022. 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                                                                                                              |
| P Kearns   | Chief Executive Officer and Managing Director<br>(appointed CEO on 10 January and MD on 17 February 2022, formerly Non-Executive 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 (appointed 15 October 2021)                                                                                         |
| PK Summers | Chief Executive Officer and Managing Director (retired 1 January 2022)                                                                     |
| BL Tan     | Non-Executive Director (retired 14 October 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 \$13.1 million (2021: \$18.7 million).

## DIVIDENDS

Dividends paid during the financial year were as follows:

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

Subsequent to the end of the financial year, the Directors have declared a fully franked final dividend of 0.67 cents per share to be paid on 22 September 2022 (2021: 1.8 cents).



## OPERATING AND FINANCIAL REVIEW

### Financial Results

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

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

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

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

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

### Dividend

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

### Business Overview

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

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

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

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

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

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

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

# Directors' Report.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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

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

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

Pleasingly, sales activity in some lower margin South Australian (Riverhaven at Goolwa North and Pathways at Murray Bridge) and Queensland projects has continued, enabling us to accelerate the recovery of capital which will be redeployed with the intention of improving the mix of average Company margins in the future. It is expected that these projects will complete during FY23.

Planning approvals were obtained, and physical works commenced during FY22 at Harvest Square in Brunswick West (Vic), which is a project conducted in partnership with the Victorian Government that will see a much-needed increase in the supply of high-quality social housing in a great community setting. The Company completed planning on both the Merchant at Waterline Place in Williamstown (Vic) and Kogarah (NSW) apartment projects with construction forecast to commence in 1H23. Progress was also made in relation to the planning and approval process for our large-scale, master-planned project at Caboolture (Qld).

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

### Balance Sheet and Land Holdings

While settlements of 608 lots were lower than FY21 at 905 lots, the Company's cash position remains strong with cash from operations at \$33.1M. This enabled the Company to reduce net debt and gearing to \$105.9M and 14.5% (net debt/total assets) respectively (FY21: \$125.4M and 20.1%), creating headroom to fund increased investment in work-in-progress and a programme of future acquisitions in line with the Company's significant growth ambitions.

Total inventory including land under option stood at 12,733 lots (FY21: 12,180 lots), the highest inventory total in over 14 years, reflecting progress in the strategy to grow the development pipeline.

### Outlook

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

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

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

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

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

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

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

## SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

## 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 and various State Governments introduced COVID-19 pandemic-related activity constraints for certain periods throughout the pandemic aimed at protecting public health. These have chiefly consisted 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 2022, following which economic activity in the Company's key markets gradually strengthened. If such measures were to be reintroduced post-balance date, such reintroduction would 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.



# Directors' Report.

## 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 until 2010. He served on the Board of the Institute of Real Estate Studies, National University of Singapore from 2008 to 2011 and was a board member of the Republic Polytechnic Board of Governors from 2008 to 2011. He was also a Council Member of the Singapore Business Federation, a position he held from 2007 to 2010. On 1 June 2017, Mr Cheong was appointed a non-executive Director of Singapore Airlines Limited. Resident of Singapore.

#### *Responsibilities:*

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

#### *Directorships held in other listed entities:*

Singapore Airlines Limited 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.

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

Mr Kearns has been a Director of AVJennings Limited since 21 March 2019. He was subsequently appointed Chief Executive Officer and Managing Director of AVJennings Limited in early 2H-FY22. Mr Kearns has over 15 years' corporate leadership experience and has been instrumental in driving cultural change, building new revenue streams and improving stakeholder engagement in banking, insurance and financial planning, all with involvement in the property sector. Until recently, Mr Kearns was a Director of Venues NSW, a Government Board that owns and operates multiple sports and entertainment venues across New South Wales. He was also 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 and property funds. Mr Kearns is a Director of Coolabah Capital Investments, a private fixed interest funds management business, and the Front Row Group. He is a member of the NSW "Game Changers" Ministerial Advisory Board for Women in Sport.

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. Mr Kearns is a resident of Sydney.

#### *Responsibilities:*

Chief Executive Officer and Managing Director.

#### *Directorships held in other listed entities:*

None.

## INFORMATION ON THE DIRECTORS (CONTINUED)

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

Director since 18 October 2005. Mr Chin is currently Chairman of the Singapore Corporate Governance Advisory Committee and the Housing & Development Board. He is a Director of Singapore Labour Foundation and a senior adviser to NTUC Fairprice Co-operative Ltd. 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.  
Fraser Logistics & Commercial Asset Management Pte Ltd since 29 April 2020.

### **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 previously 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.

Mr Hayman served as CEO of the Australian Rugby Union and as Chairman of the Board of the Rugby Club Ltd. He retired as a Director and Deputy Chair of Diabetes NSW & ACT after 16 years of service. Mr Hayman is currently Chairman of the Ella Foundation. 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 from 1986 to 1987.

Mr Lai joined Oversea-Chinese Banking Corporation Limited (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, including Head of Information Technology and Central Operations, Chairman OCBC Asset Management, Head Risk Management and Head Audit. Following his retirement from executive positions in April 2010, Mr Lai served as a Board Director of OCBC from June 2010 to December 2019, OCBC AL-Amin Bank Bhd (2011 to 2018) and OCBC Bank Malaysia Bhd (2011 to 2019). He was appointed Board Chairman of Bank of Singapore in October 2021.

Besides banking roles, Mr Lai was a Non-Executive Director of United Engineers Ltd (1992 to 2011) and WBL Corporation Ltd (1993 to 2014). Both were Singapore listed companies engaged in diversified regional businesses, including property development. 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 (Appointed Board Chairman on 1 October 2021).

# Directors' Report.

## 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, the Committee for Sydney, the Sydney Community Foundation and Warren and Mahoney Limited. She is Chair of The Front Project and a Trustee of the Foundation of the Art Gallery of NSW. Ms Chung 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, Member of Remuneration Committee.

#### *Directorships held in other listed entities:*

Australian Unity Limited.

### **Mr Mak Lye Mun B.Civ.Eng. (First Class Hons) University of Malaya, MBA (UT, Austin)**

Director since 15 October 2021. Mr Mak is currently Executive Chairman of Intraco Limited and an independent non-executive director of Boustead Singapore Limited. He is also an independent non-executive director of SC Global Developments Pte Ltd, AVJennings' majority shareholder.

Mr Mak joined the CIMB Group (an ASEAN universal bank listed in Malaysia) following the acquisition of GK Goh Securities Pte. Ltd. in 2005, where he served as the Head of Corporate Finance. He was CEO of CIMB Bank Singapore and its Country Head from 2008 until his retirement in December 2019. Previously, Mr Mak was the Head of Mergers & Acquisitions Advisory Department with DBS Bank Ltd (formerly known as The Development Bank of Singapore). He held various senior positions in the Corporate Finance divisions of Vickers Ballas & Co. Pte. Ltd., Ernst & Young, Oversea-Chinese Banking Corporation Limited and Citicorp Investment Bank (Singapore) Limited.

Mr Mak is also a Member of the Inaugural Singapore Stock Exchange (SGX) Listings and Advisory Committee, and a member of the Listing Committee for ADDX, a Singapore-based digital securities platform. In January 2021, Mr Mak was appointed as a governing board member of the Duke-NUS Medical School (a graduate medical school in Singapore).

#### *Responsibilities:*

Non Executive Director, Member of Investments Committee

#### *Directorships held in other listed entities:*

Intraco Limited, since 29 April 2021 (Appointed Executive Chairman on 15 July 2022)

Boustead Singapore Limited, since 29 July 2021

## 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.



## REMUNERATION REPORT (AUDITED)

### A. Introduction

The AVJennings Limited Board is pleased to present the Remuneration Report for FY22 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 sets out the approach to remuneration for Key Management Personnel (KMP) and all staff.

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 and safety.

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 FY22 whose remuneration is disclosed in this Report is set out below:

#### (i) Directors

|            |                                                                                                                                            |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| S Cheong   | Non-Executive Chairman                                                                                                                     |
| RJ Rowley  | Non-Executive Deputy Chairman                                                                                                              |
| P Kearns   | Chief Executive Officer and Managing Director<br>(appointed CEO on 10 January and MD on 17 February 2022, formerly Non-Executive 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<br>(appointed 15 October 2021)                                                                                      |
| PK Summers | Chief Executive Officer and Managing Director (retired 1 January 2022)                                                                     |
| BL Tan     | Non-Executive Director<br>(retired 14 October 2021)                                                                                        |

#### (ii) Executives

|             |                                                         |
|-------------|---------------------------------------------------------|
| CD Thompson | Company Secretary/General Counsel                       |
| SC Orlandi  | Chief Operating Officer                                 |
| L Mahaffy   | Chief Financial Officer<br>(passed away 24 June 2022)   |
| A Carter    | Chief Commercial Officer<br>(appointed 7 February 2022) |
| 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.

# Directors' Report.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 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.

### 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

The Remuneration Committee engaged Godfrey Remuneration Group (GRG) on 4 April 2022 to conduct a comprehensive review of its executive remuneration and incentive arrangements, including the current equity component, with those offered by comparable competitor companies and which is tailored to the Company's particular circumstances. The review will aid the Committee in retaining and attracting senior executive talent and maintaining competitive remuneration practices.

The Committee reviewed the reports and draft recommendations from GRG at its meeting on 29 June 2022. The Committee was supportive of the recommendation in principle, but with refinements required to reflect AVJennings' requirements. Recommendations which are ultimately adopted will be for implementation from 1 January 2023. The Board is satisfied the draft remuneration recommendations were made free from undue influence by any member of the key management personnel because of the communication arrangements established between GRG and the Remuneration Committee.

The current remuneration structure will remain in place until replaced. Fees charged by GRG amounted to \$56,000. No other advice or service was provided other than provision of a general KMP remuneration review guide for \$3,500 which is available to the public for the same price.

### 6. Employment Contracts

#### i) Chief Executive Officer

Mr Kearns' employment contract includes a Term of Agreement of five (5) years from commencement date with renewal discussions at end of year 4. The Company will pay Mr Kearns the sum of \$375,000, less applicable tax, as a sign-on payment on the first anniversary of the execution of the CEO Employment Agreement (1 November 2022) other than where the employment relationship has been terminated for cause or Mr Kearns gives notice of resignation.

The contract does not stipulate a termination payment. However, it specifies a six-month notice period. Details regarding the remuneration paid to Mr Kearns are contained in the table on page 48.

#### 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 42 and 48. The Directors are the same as those identified in the Directors' Report.

### 8. Remuneration Report at FY21 Annual General Meeting (AGM)

At the Company's 2021 Annual General Meeting (AGM), of the eligible votes cast on the Remuneration Report, 26.26% were against the Report. This meant that the Company recorded a First 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. The "No" vote represented only 3.39% of the total capital as a substantial proportion of shares were not permitted to vote on the resolution, thus inflating the effect of the "No" vote.

In determining vesting of STIs for quarter 1 and quarter 2 of FY22, the Remuneration Committee took into account the significant sacrifice made by Executives during FY20 and FY21 which saw them forego:

- STI payments;
- LTI vestings; and
- Retention vestings.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 9. Addressing feedback

The Company is aware of previous commentary on the Company's Remuneration Report from proxy advisers. The Company takes these comments seriously and has in the past made changes to address express concerns. 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 because it used market capitalisation as a proxy for equity. The Remuneration Committee replaced the ROE hurdle with a Total Shareholder Return (TSR) hurdle for all grants made in FY21 and beyond;
- 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 is a separate incentive component 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; 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.
- Clearer explanation of Key Performance Indicators (KPIs) and incentive payments. This matter is addressed in section F.

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 Non-Executive Directors (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.

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 usually paid in cash.

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.

The TSR measure was introduced in February 2020 to replace the former ROE component of the Performance Rights. The TSR hurdle applies to grants under the LTI from FY21 onwards. The old ROE hurdle will only apply to earlier unvested grants.

Retention Component – this is an equity award and is granted annually with vesting of one third respectively on 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 executive ranks; and to ensure that all executives had a meaningful shareholding in the Company to align interests with shareholders.

As fixed remuneration is set at or below market median, a portion of remuneration is "at risk" and assessed under the STI. 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).



# Directors' Report.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Allocation of Remuneration between Components is as follows:

|                  | Fixed<br>Remuneration<br>(%) | Total<br>at Risk<br>(%) | Split of Total at Risk |                          |                    |
|------------------|------------------------------|-------------------------|------------------------|--------------------------|--------------------|
|                  |                              |                         | STI<br>at Risk (%)     | Retention<br>at Risk (%) | LTI<br>at Risk (%) |
| CEO              | 46.4                         | 53.6                    | 50                     | -                        | 50                 |
| 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 at the end of 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 to consider changes to the STI performance measurement structure. This involved setting and assessing performance on quarterly targets in addition to assessment of annual performance to take into consideration the uncertain operating environment. The Remuneration Committee has since reverted to setting annual KPM targets beyond FY22. However, for FY22, quarterly targets were retained for quarter 1 and quarter 2 and six monthly for the second half of FY22.

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<br>Report<br>Date | Profit<br>After Tax<br>\$'000 | Basic<br>EPS<br>Cents | TSR*<br>Cents | Market<br>Capitalisation<br>\$'000 | Return on Market<br>Capitalisation<br>% |
|-----------------------------|-------------------------------|-----------------------|---------------|------------------------------------|-----------------------------------------|
| 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                  | 17.2          | 255,462                            | 7.33                                    |
| 30 June 2022                | 13,078                        | 3.22                  | ( 15.1 )      | 182,579                            | 7.16                                    |

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

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### D. Non-Executive Directors (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 FY22, SC Global had two nominees on the Board, Mr S Cheong and Mr LM Mak (who replaced Mr BL Tan on 15 October 2021). 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.

#### (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 | \$15,000    | \$6,000 | \$15,000     | \$6,000 | N/A         | \$8,000 |

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.

#### 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.

# Directors' Report.

## 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 FY22 is set out in the table below:

|                           | Year        | Short-Term<br>Fees<br>\$ | Post Employment<br>Superannuation <sup>(2)</sup><br>\$ | Total<br>\$    |
|---------------------------|-------------|--------------------------|--------------------------------------------------------|----------------|
| S Cheong <sup>(1)</sup>   | <b>2022</b> | -                        | -                                                      | -              |
|                           | 2021        | -                        | -                                                      | -              |
| RJ Rowley <sup>(6)</sup>  | <b>2022</b> | <b>120,909</b>           | <b>12,091</b>                                          | <b>133,000</b> |
|                           | 2021        | 113,151                  | 10,749                                                 | 123,900        |
| B Chin                    | <b>2022</b> | <b>96,000</b>            | -                                                      | <b>96,000</b>  |
|                           | 2021        | 94,400                   | -                                                      | 94,400         |
| BG Hayman <sup>(6)</sup>  | <b>2022</b> | <b>108,182</b>           | <b>10,818</b>                                          | <b>119,000</b> |
|                           | 2021        | 82,618                   | 7,849                                                  | 90,467         |
| TP Lai                    | <b>2022</b> | <b>86,000</b>            | -                                                      | <b>86,000</b>  |
|                           | 2021        | 85,000                   | -                                                      | 85,000         |
| BL Tan <sup>(1) (3)</sup> | <b>2022</b> | -                        | -                                                      | -              |
|                           | 2021        | -                        | -                                                      | -              |
| P Kearns <sup>(5)</sup>   | <b>2022</b> | <b>37,949</b>            | <b>3,795</b>                                           | <b>41,744</b>  |
|                           | 2021        | 71,842                   | 6,825                                                  | 78,667         |
| L Chung                   | <b>2022</b> | <b>67,503</b>            | <b>6,750</b>                                           | <b>74,253</b>  |
|                           | 2021        | 5,479                    | 521                                                    | 6,000          |
| LM Mak <sup>(1) (4)</sup> | <b>2022</b> | -                        | -                                                      | -              |
|                           | 2021        | -                        | -                                                      | -              |
| <b>Total</b>              | <b>2022</b> | <b>516,543</b>           | <b>33,454</b>                                          | <b>549,997</b> |
| Total                     | 2021        | 452,490                  | 25,944                                                 | 478,434        |

(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 the actions taken to manage overheads in response to the COVID-19 pandemic. Total fee paid for the year was \$600,000 (2021: \$590,000).

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

(3) Retired 14 October 2021.

(4) Appointed 15 October 2021.

(5) Appointed CEO on 10 January and MD on 17 February 2022. Details of P Kearns' remuneration as CEO and MD are shown on page 48.

(6) Special exertion fees were paid to RJ Rowley and BG Hayman for oversight of appointment of the new CEO and associated transition arrangements. RJ Rowley was paid \$7,000 and BG Hayman paid \$18,000.

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

## REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Prior to P Kearns' role as CEO and MD, the Board authorised him 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 \$113,637 (2021: \$222,950) were incurred.

During the year, the Company made the following payments:

- \$700 to JK Florals - a business owned by a party related to the CEO; and
- \$2,750 to FrontRow Group (The Events Group) - a business in which the CEO is a director and shareholder.

### 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 48.

### 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. A 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.

The Remuneration Committee decided that for FY22, STIs and the associated KPMs would continue to be set and determined on a quarterly basis for the first half, to ensure the Company remained agile and is responsive to changes in the operating environment. This changed to 6 monthly for the second half.

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.

The Remuneration Committee also set individual KPIs which underpin the KPMs. These were set for each individual executive, taking into account their role in the organisation, and their accountabilities.



# Directors' Report.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

KPIs included:

Financial – measures including PBT and Revenue (as per approved budget), drivers for ROE growth (e.g, production levels) and acquisition funding options to support growth strategy.

Strategic – advancement of landbank targets, progress against key milestones for Environmental, Social and Governance (ESG) strategy and implementation of Enterprise Resource Planning (ERP) system.

People and Culture – focus on leadership and culture of learning and development. Driving a customer centric and safety culture from the inside out. During the second half of FY22, our framework to retain and attract talent in a competitive market was critical and our agility to quickly implement new training and development programs to create career pathways for our people.

Performance against KPIs for each Executive were considered by the CEO with his recommendations provided to the Remuneration Committee. The Committee separately considered the CEO's performance and determined that whilst his performance would ordinarily warrant a STI payment, in this instance the payment of the sign-on bonus is due in November 2022 and no further STI payment should be made.

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

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | CEO | COO | Other SET <sup>(1)</sup> |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|--------------------------|
| Underlying Profit Performance     | <ul style="list-style-type: none"> <li>Group Profit Before Tax.</li> <li>Return on Net Funds Employed (NFE).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     |     |     |                          |
| Business Performance              | <ul style="list-style-type: none"> <li>Operating cashflow.</li> <li>Gross margins.</li> <li>Appropriate and efficient capital management (efficiency of the Balance Sheet).</li> <li>Alignment of priorities and allocation of resources to bring about implementation of company strategy.</li> <li>Time (operational delivery against agreed timeframes) and quality (built form product).</li> <li>Improvement in underlying health of the Company.</li> <li>Risk management.</li> </ul> | 40% | 50% | 30% to 40%               |
| Strategic Initiatives             | <ul style="list-style-type: none"> <li>Strategy objectives focussed on exploring growth opportunities for AVJennings.</li> <li>Development and implementation of strategy plans including growth through organic and corporate means, new business streams and strategic alignments.</li> <li>Growth in lots under control (three year).</li> </ul>                                                                                                                                         | 30% | 10% | -                        |
| Individual Performance objectives | <ul style="list-style-type: none"> <li>Aligned to strategic objectives.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                          | -   | 20% | 40% to 50%               |

### Organisational Performance

|                                      |                                                                                                                                                                                                                                                               | CEO | COO | Other SET <sup>(1)</sup> |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|--------------------------|
| Customer and Stakeholder Performance | <ul style="list-style-type: none"> <li>Customer Advocacy.</li> </ul>                                                                                                                                                                                          |     |     |                          |
| People                               | <ul style="list-style-type: none"> <li>Employee retention and engagement.</li> <li>Progress longer term inclusion and diversity objectives.</li> <li>Leadership – maintain a high performing team.</li> <li>Succession planning for key positions.</li> </ul> | 30% | 20% | 20%                      |
| Safety and Environment               | <ul style="list-style-type: none"> <li>Providing a safe work environment.</li> <li>Minimise the impact of our activities on the environment.</li> </ul>                                                                                                       |     |     |                          |

(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. For FY22, quarterly targets applied for Q1 and Q2 (given the COVID-19 pandemic was particularly disruptive over this period and short-term focus critical) and six monthly for the second half of FY22 (as the disruptive impact of COVID-19 became less severe and a more longer term focus could be reintroduced to remuneration and performance considerations).

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.

#### 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 ROE hurdle will apply to earlier grants.

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 < 75 <sup>th</sup> percentile                    | Pro-rata between 50 <sup>th</sup> and 75 <sup>th</sup> percentiles |
| > 75 <sup>th</sup> 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.

| Retention component -<br>years of service | Percentage of<br>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 Table

|                           | Year | Short-Term  |                      |         |           | Post Employment |                            | Other Long-term    | Share-Based | Total     | Performance Related |
|---------------------------|------|-------------|----------------------|---------|-----------|-----------------|----------------------------|--------------------|-------------|-----------|---------------------|
|                           |      | Cash Salary | Accrued Annual Leave | STI     | Other     | Superannuation  | Accrued Long Service Leave | LTI <sup>(5)</sup> |             |           |                     |
|                           |      |             | \$                   | \$      | \$        | \$              |                            |                    |             |           | \$                  |
| Executive KMP             |      |             |                      |         |           |                 |                            |                    |             |           |                     |
| P Kearns <sup>(1)</sup>   | 2022 | 299,563     | 21,764               | 250,000 | -         | 11,784          | 1,059                      | 30,246             |             | 614,416   | 4.92                |
|                           | 2021 | -           | -                    | -       | -         | -               | -                          | -                  |             | -         | -                   |
| CD Thompson               | 2022 | 421,001     | 15,949               | 56,757  | -         | 23,568          | 14,557                     | 20,885             |             | 552,717   | 7.36                |
|                           | 2021 | 410,410     | 1,545                | 71,393  | -         | 21,694          | 14,632                     | 50,597             |             | 570,271   | 15.32               |
| SC Orlandi                | 2022 | 391,572     | 20,641               | 67,608  | -         | 23,568          | 14,258                     | 36,088             |             | 553,735   | 10.89               |
|                           | 2021 | 381,806     | 5,425                | 85,714  | -         | 21,694          | 14,364                     | 55,305             |             | 564,308   | 18.35               |
| A Carter <sup>(2)</sup>   | 2022 | 133,494     | ( 265 )              | 16,521  | 1,723     | 10,853          | 461                        | 8,434              |             | 171,221   | 10.85               |
|                           | 2021 | -           | -                    | -       | -         | -               | -                          | -                  |             | -         | -                   |
| L Hunt                    | 2022 | 251,176     | 6,098                | 33,885  | -         | 23,568          | 8,436                      | 12,907             |             | 336,070   | 7.13                |
|                           | 2021 | 244,046     | ( 2,266 )            | 44,121  | -         | 21,694          | 8,658                      | 31,270             |             | 347,523   | 15.54               |
| Former Executive KMP      |      |             |                      |         |           |                 |                            |                    |             |           |                     |
| PK Summers <sup>(3)</sup> | 2022 | 1,772,160   | -                    | -       | 3,008,139 | 17,676          | -                          | ( 344,510 )        |             | 4,453,465 | -                   |
|                           | 2021 | 578,066     | 5,436                | 436,795 | 26,693    | 21,694          | 27,025                     | 187,732            |             | 1,283,441 | 39.70               |
| L Mahaffy <sup>(4)</sup>  | 2022 | 382,896     | 10,130               | 52,163  | -         | 23,568          | 10,861                     | 106,895            |             | 586,513   | 11.64               |
|                           | 2021 | 373,373     | 674                  | 65,273  | -         | 21,694          | 20,480                     | 46,261             |             | 527,755   | 15.14               |
| Total                     | 2022 | 3,651,862   | 74,317               | 476,934 | 3,009,862 | 134,585         | 49,632                     | ( 129,055 )        |             | 7,268,137 |                     |
| Total                     | 2021 | 1,987,701   | 10,814               | 703,296 | 26,693    | 108,470         | 85,159                     | 371,165            |             | 3,293,298 |                     |

(1) Appointed CEO on 10 January and MD on 17 February 2022. STI relates to accrued sign-on payment. Details of remuneration as NED prior to being appointed as CEO are shown on page 42.

(2) Appointed 7 February 2022. 'Other' relates to the value of motor vehicle benefits.

(3) Retired 1 January 2022. 'Other' includes retirement payment approved at the Annual General Meeting held on 14 October 2021 (including an additional amount of \$39,708 relating to tax gross-up of motor vehicle benefit), and motor vehicle benefit of \$24,895.

(4) Passed away 24 June 2022.

(5) The LTI figures represent the amount expensed or reversed 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.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration to Executive KMP in FY22

A summary of the statutory remuneration tables prepared in accordance with the Australian Accounting Standards is provided in the table on page 48.

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.

### J. Equity disclosures

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

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 September 2021 Grant was made for the FY22 year (with final performance conditions testing in September 2024).

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.

# Directors' Report.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

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 2021 | Rights granted   | Rights vested      | Rights forfeited     | Rights at 30 June 2022 |
|---------------------------|---------------|--------------------------|-----------------------|------------------|--------------------|----------------------|------------------------|
| PK Summers <sup>(1)</sup> | FY19          | \$395,702                | 531,068               | -                | ( 85,162 )         | ( 445,906 )          | -                      |
| PK Summers <sup>(1)</sup> | FY20          | \$405,605                | 765,725               | -                | ( 105,840 )        | ( 659,885 )          | -                      |
| PK Summers <sup>(1)</sup> | FY21          | \$187,179                | 450,996               | -                | ( 66,866 )         | ( 384,130 )          | -                      |
| P Kearns                  | FY22          | \$187,523                | -                     | 461,141          | -                  | -                    | 461,141                |
| CD Thompson               | FY19          | \$69,652                 | 83,260                | -                | ( 19,488 )         | ( 63,772 )           | -                      |
| CD Thompson               | FY20          | \$71,395                 | 127,675               | -                | ( 24,219 )         | -                    | 103,456                |
| CD Thompson               | FY21          | \$71,385                 | 171,999               | -                | ( 25,501 )         | -                    | 146,498                |
| CD Thompson               | FY22          | \$74,099                 | -                     | 147,213          | -                  | -                    | 147,213                |
| SC Orlandi                | FY19          | \$57,463                 | 68,689                | -                | ( 16,077 )         | ( 52,612 )           | -                      |
| SC Orlandi                | FY20          | \$66,669                 | 119,224               | -                | ( 22,615 )         | -                    | 96,609                 |
| SC Orlandi                | FY21          | \$85,706                 | 206,503               | -                | ( 30,617 )         | -                    | 175,886                |
| SC Orlandi                | FY22          | \$88,963                 | -                     | 176,744          | -                  | -                    | 176,744                |
| L Mahaffy <sup>(2)</sup>  | FY19          | \$63,682                 | 76,123                | -                | ( 17,817 )         | ( 58,306 )           | -                      |
| L Mahaffy <sup>(2)</sup>  | FY20          | \$65,275                 | 116,731               | -                | ( 116,731 )        | -                    | -                      |
| L Mahaffy <sup>(2)</sup>  | FY21          | \$65,267                 | 157,256               | -                | ( 157,256 )        | -                    | -                      |
| L Mahaffy <sup>(2)</sup>  | FY22          | \$67,747                 | -                     | 134,594          | ( 134,594 )        | -                    | -                      |
| A Carter                  | FY22          | \$25,419                 | -                     | 55,111           | -                  | -                    | 55,111                 |
| L Hunt                    | FY19          | \$43,044                 | 51,454                | -                | ( 12,043 )         | ( 39,411 )           | -                      |
| L Hunt                    | FY20          | \$44,122                 | 78,904                | -                | ( 14,967 )         | -                    | 63,937                 |
| L Hunt                    | FY21          | \$44,116                 | 106,295               | -                | ( 15,760 )         | -                    | 90,535                 |
| L Hunt                    | FY22          | \$45,793                 | -                     | 90,978           | -                  | -                    | 90,978                 |
| <b>Total</b>              |               | <b>\$2,225,806</b>       | <b>3,111,902</b>      | <b>1,065,781</b> | <b>( 865,553 )</b> | <b>( 1,704,022 )</b> | <b>1,608,108</b>       |

(1) Retired 1 January 2022.

(2) Passed away on 24 June 2022 and all unvested Rights vested.

## 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<br>Balance | Vested as<br>Remuneration | Closing<br>Balance |
|----------------------------------------|--------------------|---------------------------|--------------------|
| <b>For the year ended 30 June 2022</b> |                    |                           |                    |
| <b>Directors</b>                       |                    |                           |                    |
| S Cheong                               | 219,112,839        | -                         | <b>219,112,839</b> |
| RJ Rowley                              | 370,223            | -                         | <b>370,223</b>     |
| BG Hayman                              | 235,000            | -                         | <b>235,000</b>     |
| P Kearns                               | 25,000             | -                         | <b>25,000</b>      |
| <b>Executives</b>                      |                    |                           |                    |
| CD Thompson                            | 1,860,987          | 69,208                    | <b>1,930,195</b>   |
| SC Orlandi                             | 565,480            | 69,309                    | <b>634,789</b>     |
| L Hunt                                 | 385,523            | 42,770                    | <b>428,293</b>     |
| <b>Former KMP</b>                      |                    |                           |                    |
| PK Summers <sup>(1)</sup>              | 4,959,951          | 257,868                   | <b>5,217,819</b>   |
| L Mahaffy <sup>(2)</sup>               | 293,366            | 426,398                   | <b>719,764</b>     |
| <b>Total</b>                           | <b>227,808,369</b> | <b>865,553</b>            | <b>228,673,922</b> |
| <b>For the year ended 30 June 2021</b> |                    |                           |                    |
| <b>Directors</b>                       |                    |                           |                    |
| S Cheong                               | 219,112,839        | -                         | <b>219,112,839</b> |
| PK Summers                             | 4,959,951          | -                         | <b>4,959,951</b>   |
| RJ Rowley                              | 370,223            | -                         | <b>370,223</b>     |
| BG Hayman                              | 235,000            | -                         | <b>235,000</b>     |
| P Kearns                               | 25,000             | -                         | <b>25,000</b>      |
| <b>Executives</b>                      |                    |                           |                    |
| CD Thompson                            | 1,860,987          | -                         | <b>1,860,987</b>   |
| SC Orlandi                             | 565,480            | -                         | <b>565,480</b>     |
| L Mahaffy                              | 293,366            | -                         | <b>293,366</b>     |
| L Hunt                                 | 385,523            | -                         | <b>385,523</b>     |
| <b>Total</b>                           | <b>227,808,369</b> | -                         | <b>227,808,369</b> |

(1) Retired on 1 January 2022. Shareholdings are amounts at the date he ceased to be a KMP.

(2) Passed away on 24 June 2022. Shareholdings are amounts at the date he ceased to be a KMP.



# Directors' Report.

## MEETINGS OF DIRECTORS AND DIRECTORS' COMMITTEES

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

|                           | Full Meetings of Directors |          | Meetings of Committees |          |              |          |             |          |                 |          |
|---------------------------|----------------------------|----------|------------------------|----------|--------------|----------|-------------|----------|-----------------|----------|
|                           | Held                       | Attended | Audit                  |          | Remuneration |          | Nominations |          | Risk Management |          |
|                           | Held                       | Attended | Held                   | Attended | Held         | Attended | Held        | Attended | Held            | Attended |
| S Cheong                  | 5                          | 5        | -                      | -        | 5            | 5        | 1           | 1        | -               | -        |
| B Chin                    | 5                          | 5        | 3                      | 3        | -            | -        | 1           | 1        | -               | -        |
| BG Hayman                 | 5                          | 5        | -                      | -        | 5            | 5        | 1           | 1        | 4               | 4        |
| RJ Rowley                 | 5                          | 5        | 3                      | 3        | -            | -        | 1           | 1        | 4               | 4        |
| TP Lai                    | 5                          | 5        | 3                      | 3        | 5            | 5        | -           | -        | -               | -        |
| L Chung <sup>(1)</sup>    | 5                          | 5        | -                      | -        | 5            | 1        | -           | -        | 4               | 4        |
| P Kearns <sup>(2)</sup>   | 5                          | 5        | -                      | -        | -            | -        | -           | -        | 4               | 4        |
| LM Mak <sup>(3)</sup>     | 5                          | 3        | -                      | -        | -            | -        | -           | -        | -               | -        |
| BL Tan <sup>(4)</sup>     | 5                          | 2        | -                      | -        | -            | -        | -           | -        | -               | -        |
| PK Summers <sup>(5)</sup> | 5                          | 2        | -                      | -        | -            | -        | -           | -        | -               | -        |

(1) Appointed a member of the Remuneration Committee on 14 February 2022 and eligible to attend one meeting.

(2) Ceased to be a member of the Risk Management Committee effective 17 February 2022 after appointment as MD.

(3) Appointed on 15 October 2021 and eligible to attend three meetings. Attended two meetings in 2021 prior to his appointment at the invitation of the Board.

(4) Retired on 14 October 2021 and eligible to attend two meetings.

(5) Retired on 1 January 2022 and eligible to attend two meetings.

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 |
| 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 54.

## NON-AUDIT SERVICES

The Group's auditor, Ernst & Young provided certain non-audit services as outlined in note 32. 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

25 August 2022



Philip Kearns  
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 2022, 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.
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene 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.

A handwritten signature in dark ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in dark ink that reads 'Glenn Maris'.

Glenn Maris  
Partner  
25 August 2022

# Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                                  | Note | 2022<br>\$'000   | 2021<br>\$'000 |
|------------------------------------------------------------------|------|------------------|----------------|
| <b>Continuing operations</b>                                     |      |                  |                |
| Revenue from contracts with customers                            | 2    | 222,814          | 311,090        |
| <b>Revenue</b>                                                   |      | <b>222,814</b>   | <b>311,090</b> |
| Cost of sales                                                    | 3    | ( 158,702 )      | ( 240,832 )    |
| <b>Gross profit</b>                                              |      | <b>64,112</b>    | <b>70,258</b>  |
| Share of profit/(loss) of joint ventures                         | 25   | 1,647            | ( 2,295 )      |
| Change in equity accounted investment provisions                 | 3    | ( 1,489 )        | 1,554          |
| Change in inventory loss provisions                              | 3    | -                | ( 1,793 )      |
| Fair value adjustment to investment property                     | 8    | ( 4 )            | 180            |
| Selling and marketing expenses                                   |      | ( 3,469 )        | ( 4,998 )      |
| Employee expenses                                                | 3    | ( 28,815 )       | ( 22,148 )     |
| Other operational expenses                                       |      | ( 4,950 )        | ( 5,650 )      |
| Management and administration expenses                           |      | ( 7,472 )        | ( 6,944 )      |
| Depreciation and amortisation expenses                           | 3    | ( 1,743 )        | ( 1,860 )      |
| Finance income                                                   | 3    | 127              | 170            |
| Finance costs                                                    | 3    | ( 303 )          | ( 330 )        |
| Other income                                                     | 3    | 296              | 532            |
| <b>Profit before income tax</b>                                  |      | <b>17,937</b>    | <b>26,676</b>  |
| Income tax                                                       | 4    | ( 4,859 )        | ( 7,960 )      |
| <b>Profit after income tax</b>                                   |      | <b>13,078</b>    | <b>18,716</b>  |
| <b>Other comprehensive income (OCI)</b>                          |      |                  |                |
| Foreign currency translation loss                                |      | ( 1,755 )        | ( 185 )        |
| <b>Other comprehensive loss</b>                                  |      | <b>( 1,755 )</b> | <b>( 185 )</b> |
| <b>Total comprehensive income</b>                                |      | <b>11,323</b>    | <b>18,531</b>  |
| Profit attributable to owners of the Company                     |      | <b>13,078</b>    | <b>18,716</b>  |
| Total comprehensive income attributable to owners of the Company |      | <b>11,323</b>    | <b>18,531</b>  |
| <b>Earnings per share (cents):</b>                               |      |                  |                |
| Basic earnings per share                                         | 33   | 3.22             | 4.62           |
| Diluted earnings per share                                       | 33   | 3.22             | 4.61           |

To be read in conjunction with the accompanying notes.



# Financial Statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                      | Note  | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| <b>Current assets</b>                |       |                |                |
| Cash and cash equivalents            | 5     | 3,274          | 13,099         |
| Receivables                          | 6     | 14,566         | 46,030         |
| Inventories                          | 7     | 150,448        | 152,155        |
| Tax receivable                       | 4(c)  | 922            | 222            |
| Other assets                         | 9     | 3,283          | 3,613          |
| <b>Total current assets</b>          |       | <b>172,493</b> | <b>215,119</b> |
| <b>Non-current assets</b>            |       |                |                |
| Receivables                          | 6     | 1,155          | 163            |
| Inventories                          | 7     | 538,396        | 388,662        |
| Investment property                  | 8     | 1,756          | 1,760          |
| Equity accounted investments         | 25    | 5,053          | 4,895          |
| Plant and equipment                  | 10    | 2,059          | 2,010          |
| Right-of-use assets                  | 11    | 5,783          | 4,923          |
| Intangible assets                    | 12    | 2,816          | 2,816          |
| Other assets                         | 9     | -              | 4,920          |
| <b>Total non-current assets</b>      |       | <b>557,018</b> | <b>410,149</b> |
| <b>Total assets</b>                  |       | <b>729,511</b> | <b>625,268</b> |
| <b>Current liabilities</b>           |       |                |                |
| Payables                             | 13    | 93,935         | 32,335         |
| Lease liabilities                    | 15    | 1,252          | 1,189          |
| Tax payable                          | 4(c)  | 523            | 1,342          |
| Provisions                           | 16    | 6,732          | 7,070          |
| <b>Total current liabilities</b>     |       | <b>102,442</b> | <b>41,936</b>  |
| <b>Non-current liabilities</b>       |       |                |                |
| Payables                             | 13    | 88,141         | 15,545         |
| Borrowings                           | 14    | 109,190        | 138,549        |
| Lease liabilities                    | 15    | 4,962          | 4,054          |
| Deferred tax liabilities             | 4(d)  | 15,599         | 15,066         |
| Provisions                           | 16    | 1,148          | 1,009          |
| <b>Total non-current liabilities</b> |       | <b>219,040</b> | <b>174,223</b> |
| <b>Total liabilities</b>             |       | <b>321,482</b> | <b>216,159</b> |
| <b>Net assets</b>                    |       | <b>408,029</b> | <b>409,109</b> |
| <b>Equity</b>                        |       |                |                |
| Contributed equity                   | 17    | 173,506        | 173,740        |
| Reserves                             | 18(a) | 6,810          | 8,953          |
| Retained earnings                    | 18(c) | 227,713        | 226,416        |
| <b>Total equity</b>                  |       | <b>408,029</b> | <b>409,109</b> |

To be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|                                                                   |       | Attributable to equity holders of AVJennings Limited |                                      |                             |                   | Total equity      |
|-------------------------------------------------------------------|-------|------------------------------------------------------|--------------------------------------|-----------------------------|-------------------|-------------------|
|                                                                   |       | Contributed Equity                                   | Foreign Currency Translation Reserve | Share-based Payment Reserve | Retained Earnings |                   |
|                                                                   | Note  | \$'000                                               | \$'000                               | \$'000                      | \$'000            | \$'000            |
| <b>At 1 July 2020</b>                                             |       | <b>174,179</b>                                       | <b>3,028</b>                         | <b>5,380</b>                | <b>210,543</b>    | <b>393,130</b>    |
| <i>Comprehensive income:</i>                                      |       |                                                      |                                      |                             |                   |                   |
| Profit for the year                                               |       | -                                                    | -                                    | -                           | 18,716            | 18,716            |
| Loss for the year                                                 |       | -                                                    | ( 185 )                              | -                           | -                 | ( 185 )           |
| <b>Total comprehensive income for the year</b>                    |       | <b>-</b>                                             | <b>( 185 )</b>                       | <b>-</b>                    | <b>18,716</b>     | <b>18,531</b>     |
| <i>Transactions with owners in their capacity as owners:</i>      |       |                                                      |                                      |                             |                   |                   |
| - Treasury shares acquired                                        | 17b)  | ( 439 )                                              | -                                    | -                           | -                 | ( 439 )           |
| - Share-based payment expense reversed                            | 31(a) | -                                                    | -                                    | ( 70 )                      | -                 | ( 70 )            |
| - Share-based payment expense                                     | 31(a) | -                                                    | -                                    | 800                         | -                 | 800               |
| - Dividends paid                                                  | 19    | -                                                    | -                                    | -                           | ( 2,843 )         | ( 2,843 )         |
| <b>Total transactions with owners in their capacity as owners</b> |       | <b>( 439 )</b>                                       | <b>-</b>                             | <b>730</b>                  | <b>( 2,843 )</b>  | <b>( 2,552 )</b>  |
| <b>At 30 June 2021</b>                                            |       | <b>173,740</b>                                       | <b>2,843</b>                         | <b>6,110</b>                | <b>226,416</b>    | <b>409,109</b>    |
| <b>At 1 July 2021</b>                                             |       | <b>173,740</b>                                       | <b>2,843</b>                         | <b>6,110</b>                | <b>226,416</b>    | <b>409,109</b>    |
| <i>Comprehensive income:</i>                                      |       |                                                      |                                      |                             |                   |                   |
| Profit for the year                                               |       | -                                                    | -                                    | -                           | 13,078            | 13,078            |
| Loss for the year                                                 |       | -                                                    | ( 1,755 )                            | -                           | -                 | ( 1,755 )         |
| <b>Total comprehensive income for the year</b>                    |       | <b>-</b>                                             | <b>( 1,755 )</b>                     | <b>-</b>                    | <b>13,078</b>     | <b>11,323</b>     |
| <i>Transactions with owners in their capacity as owners:</i>      |       |                                                      |                                      |                             |                   |                   |
| - Treasury shares acquired                                        | 17(b) | ( 234 )                                              | -                                    | -                           | -                 | ( 234 )           |
| - Share-based payment expense reversed                            | 31(a) | -                                                    | -                                    | ( 969 )                     | -                 | ( 969 )           |
| - Share-based payment expense                                     | 31(a) | -                                                    | -                                    | 581                         | -                 | 581               |
| - Dividends paid                                                  | 19    | -                                                    | -                                    | -                           | ( 11,781 )        | ( 11,781 )        |
| <b>Total transactions with owners in their capacity as owners</b> |       | <b>( 234 )</b>                                       | <b>-</b>                             | <b>( 388 )</b>              | <b>( 11,781 )</b> | <b>( 12,403 )</b> |
| <b>At 30 June 2022</b>                                            |       | <b>173,506</b>                                       | <b>1,088</b>                         | <b>5,722</b>                | <b>227,713</b>    | <b>408,029</b>    |

To be read in conjunction with the accompanying notes.

# Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

|                                                               | Note  | 2022<br>\$'000    | 2021<br>\$'000    |
|---------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Cash flow from operating activities</b>                    |       |                   |                   |
| Receipts from customers (inclusive of GST)                    |       | 275,568           | 331,084           |
| Payments to other suppliers and employees (inclusive of GST)  |       | ( 229,406 )       | ( 253,876 )       |
| Interest paid                                                 | 3     | ( 7,271 )         | ( 8,231 )         |
| Income tax paid                                               | 4(c)  | ( 5,783 )         | ( 5,008 )         |
| <b>Net cash from operating activities</b>                     | 20    | <b>33,108</b>     | <b>63,969</b>     |
| <b>Cash flow from investing activities</b>                    |       |                   |                   |
| Payments for plant and equipment                              | 10    | ( 253 )           | ( 366 )           |
| Interest received                                             | 3     | 127               | 170               |
| <b>Net cash used in investing activities</b>                  |       | <b>( 126 )</b>    | <b>( 196 )</b>    |
| <b>Cash flow from financing activities</b>                    |       |                   |                   |
| Proceeds from borrowings                                      |       | 96,934            | 78,787            |
| Repayment of borrowings                                       |       | ( 126,293 )       | ( 130,348 )       |
| Principal elements of lease payments                          | 15    | ( 1,429 )         | ( 1,500 )         |
| Net payment for treasury shares                               | 17(b) | ( 234 )           | ( 439 )           |
| Dividends paid                                                | 19    | ( 11,781 )        | ( 2,843 )         |
| <b>Net cash used in financing activities</b>                  |       | <b>( 42,803 )</b> | <b>( 56,343 )</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |       | <b>( 9,821 )</b>  | <b>7,430</b>      |
| Cash and cash equivalents at beginning of the year            |       | 13,099            | 5,703             |
| Effects of exchange rate changes on cash and cash equivalents |       | ( 4 )             | ( 34 )            |
| <b>Cash and cash equivalents at end of the year</b>           | 5     | <b>3,274</b>      | <b>13,099</b>     |

To be read in conjunction with the accompanying notes.

## 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:*

Includes activities relating to Land Development, Integrated Housing and Apartments Development conducted within our jurisdictions.

*Other:*

Includes revenue from the sale of apartments in Western Australia and numerous low value items.



# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. OPERATING SEGMENTS (continued)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

# Financial Statements.

## 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<br>30 June 2022                 | NSW<br>\$'000 | VIC<br>\$'000 | QLD<br>\$'000 | SA<br>\$'000  | NZ<br>\$'000  | Other*<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|-----------------|
| <b>Types of goods or services</b>                  |               |               |               |               |               |                  |                 |
| Sale of land                                       | 18,898        | 16,753        | 36,039        | 8,774         | 11,488        | -                | 91,952          |
| Sale of integrated housing                         | 57,791        | 24,864        | 21,009        | 4,027         | -             | -                | 107,691         |
| Sale of apartments                                 | -             | 13,999        | -             | -             | -             | 6,523            | 20,522          |
| Property development & other services              | -             | 2,649         | -             | -             | -             | -                | 2,649           |
| <b>Total revenue from contracts with customers</b> | <b>76,689</b> | <b>58,265</b> | <b>57,048</b> | <b>12,801</b> | <b>11,488</b> | <b>6,523</b>     | <b>222,814</b>  |

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

\*Relates to Western Australia.

| Operating Segments<br>30 June 2021                 | NSW<br>\$'000 | VIC<br>\$'000 | QLD<br>\$'000 | SA<br>\$'000  | NZ<br>\$'000  | Other*<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|-----------------|
| <b>Types of goods or services</b>                  |               |               |               |               |               |                  |                 |
| Sale of land                                       | 19,565        | 16,263        | 50,271        | 10,836        | 42,850        | -                | 139,785         |
| Sale of integrated housing                         | 56,755        | 20,644        | 13,453        | 11,164        | 1,515         | -                | 103,531         |
| Sale of apartments                                 | -             | 54,653        | -             | -             | -             | 10,288           | 64,941          |
| Property development & other services              | 317           | 2,516         | -             | -             | -             | -                | 2,833           |
| <b>Total revenue from contracts with customers</b> | <b>76,637</b> | <b>94,076</b> | <b>63,724</b> | <b>22,000</b> | <b>44,365</b> | <b>10,288</b>    | <b>311,090</b>  |

|                                                    |               |               |               |               |               |               |                |
|----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Timing of revenue recognition</b>               |               |               |               |               |               |               |                |
| Goods transferred at a point in time               | 76,320        | 91,560        | 63,724        | 22,000        | 44,365        | 10,288        | 308,257        |
| Services transferred over time                     | 317           | 2,516         | -             | -             | -             | -             | 2,833          |
| <b>Total revenue from contracts with customers</b> | <b>76,637</b> | <b>94,076</b> | <b>63,724</b> | <b>22,000</b> | <b>44,365</b> | <b>10,288</b> | <b>311,090</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. 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. 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.
- 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.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. INCOME AND EXPENSES

|                                                                                                                                                                                                                      | Note | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------|----------------|
| <b>Revenues</b>                                                                                                                                                                                                      |      |                |                |
| Revenue from contracts with customers                                                                                                                                                                                | 2    | 222,814        | 311,090        |
| <b>Total revenues</b>                                                                                                                                                                                                |      | <b>222,814</b> | <b>311,090</b> |
| <b>Cost of sales include:</b>                                                                                                                                                                                        |      |                |                |
| Utilisation of inventory provisions                                                                                                                                                                                  | 7    | ( 2,359 )      | ( 774 )        |
| Amortisation of finance costs capitalised to inventories                                                                                                                                                             |      | 6,975          | 8,783          |
| <b>Impairment of assets</b>                                                                                                                                                                                          |      |                |                |
| Provision/(reversal) - equity accounted investment                                                                                                                                                                   | 25   | 1,489          | ( 1,554 )      |
| Increase in inventory loss provisions                                                                                                                                                                                | 7    | -              | 1,793          |
| 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. |      |                |                |
| <b>Employee expenses include:</b>                                                                                                                                                                                    |      |                |                |
| JobKeeper payment credits                                                                                                                                                                                            |      | -              | ( 2,840 )      |
| Retirement payment to Key Management Personnel                                                                                                                                                                       |      | 2,983          | -              |
| <b>Depreciation and amortisation expense</b>                                                                                                                                                                         |      |                |                |
| Depreciation of owned assets                                                                                                                                                                                         | 10   | 204            | 236            |
| Amortisation of right-of-use assets                                                                                                                                                                                  | 11   | 1,539          | 1,624          |
| <b>Total depreciation and amortisation expense</b>                                                                                                                                                                   |      | <b>1,743</b>   | <b>1,860</b>   |
| <b>Finance income</b>                                                                                                                                                                                                |      |                |                |
| Interest from financial assets held for cash management purposes                                                                                                                                                     |      | 127            | 170            |
| <b>Finance costs</b>                                                                                                                                                                                                 |      |                |                |
| Bank loans and overdrafts                                                                                                                                                                                            |      | 6,989          | 7,911          |
| Interest on lease liabilities                                                                                                                                                                                        |      | 282            | 320            |
| Total finance costs                                                                                                                                                                                                  |      | 7,271          | 8,231          |
| Less: Amount capitalised to inventories                                                                                                                                                                              |      | ( 6,968 )      | ( 7,901 )      |
| <b>Finance costs expensed</b>                                                                                                                                                                                        |      | <b>303</b>     | <b>330</b>     |
| <b>Other income</b>                                                                                                                                                                                                  |      |                |                |
| Rent from investment property                                                                                                                                                                                        |      | 105            | 96             |
| Sundry income                                                                                                                                                                                                        |      | 191            | 436            |
| <b>Total other income</b>                                                                                                                                                                                            |      | <b>296</b>     | <b>532</b>     |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. INCOME TAX

|                                                                                                                                                                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>(a) Income tax expense</b>                                                                                                                                                   |                |                |
| The major components of income tax are:                                                                                                                                         |                |                |
| Current income tax                                                                                                                                                              |                |                |
| Current income tax charge                                                                                                                                                       | 4,591          | 6,896          |
| Adjustment for prior year                                                                                                                                                       | ( 229 )        | 35             |
| Deferred income tax                                                                                                                                                             |                |                |
| Current temporary differences                                                                                                                                                   | 311            | 1,029          |
| Adjustment for prior year                                                                                                                                                       | 186            | -              |
| <b>Income tax reported in the Consolidated Statement of Comprehensive Income</b>                                                                                                | <b>4,859</b>   | <b>7,960</b>   |
| <b>(b) Numerical reconciliation between aggregate tax recognised in the Consolidated Statement of Comprehensive Income and tax calculated per the statutory income tax rate</b> |                |                |
| <b>Accounting profit before income tax</b>                                                                                                                                      | <b>17,937</b>  | <b>26,676</b>  |
| Tax at Australian income tax rate of 30%                                                                                                                                        | 5,381          | 8,003          |
| Net share of equity accounted joint venture (profit)/loss                                                                                                                       | ( 494 )        | 689            |
| Other non-deductible /(non-assessable) items                                                                                                                                    | 96             | ( 588 )        |
| Foreign jurisdiction losses                                                                                                                                                     | ( 30 )         | -              |
| Effect of lower tax rate in foreign jurisdiction                                                                                                                                | ( 51 )         | ( 179 )        |
| Adjustment for prior year                                                                                                                                                       | ( 43 )         | 35             |
| <b>Income tax expense</b>                                                                                                                                                       | <b>4,859</b>   | <b>7,960</b>   |
| <b>Effective tax rate</b>                                                                                                                                                       | <b>27%</b>     | <b>30%</b>     |
| <b>(c) Numerical reconciliation from income tax expense to income taxes paid</b>                                                                                                |                |                |
| <b>Income tax expense</b>                                                                                                                                                       | <b>4,859</b>   | <b>7,960</b>   |
| Timing differences recognised in deferred tax                                                                                                                                   | ( 497 )        | ( 1,029 )      |
| Adjustment for prior year                                                                                                                                                       | 229            | ( 35 )         |
| Exchange rate translation difference                                                                                                                                            | ( 107 )        | 9              |
| Current year tax payable at year end                                                                                                                                            | ( 523 )        | ( 1,342 )      |
| Current year tax receivable at year end                                                                                                                                         | 922            | 222            |
| Prior year tax paid in current year                                                                                                                                             | 900            | ( 777 )        |
| <b>Cash taxes paid per the Consolidated Statement of Cash Flows</b>                                                                                                             | <b>5,783</b>   | <b>5,008</b>   |

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. INCOME TAX (continued)

#### (d) Recognised deferred tax assets and liabilities

|                                                                      | Opening<br>balance<br>\$'000 | Expense<br>/(benefit)<br>\$'000 | Foreign<br>exchange<br>variance<br>\$'000 | Closing<br>balance<br>\$'000 |
|----------------------------------------------------------------------|------------------------------|---------------------------------|-------------------------------------------|------------------------------|
| <b>Deferred income tax movement for the year ended 30 June 2022:</b> |                              |                                 |                                           |                              |
| <b>Deferred tax assets</b>                                           |                              |                                 |                                           |                              |
| - inventories                                                        | 3,492                        | ( 708 )                         | -                                         | 2,784                        |
| - accruals                                                           | 1,770                        | ( 510 )                         | -                                         | 1,260                        |
| - employee entitlement provisions                                    | 1,808                        | ( 82 )                          | (1)                                       | 1,725                        |
| - fair value other assets                                            | -                            | 447                             | -                                         | 447                          |
| - lease liabilities                                                  | 1,510                        | 300                             | -                                         | 1,810                        |
| - other                                                              | 39                           | ( 5 )                           | -                                         | 34                           |
| <b>Deferred tax assets</b>                                           | <b>8,619</b>                 | <b>( 558 )</b>                  | <b>(1)</b>                                | <b>8,060</b>                 |
| <b>Deferred tax liabilities</b>                                      |                              |                                 |                                           |                              |
| - inventories                                                        | ( 17,111 )                   | ( 1,236 )                       | 28                                        | ( 18,319 )                   |
| - fair value investment property                                     | ( 237 )                      | 1                               | -                                         | ( 236 )                      |
| - unearned revenue                                                   | ( 2,954 )                    | 2,082                           | ( 63 )                                    | ( 935 )                      |
| - prepayments                                                        | ( 57 )                       | ( 43 )                          | -                                         | ( 100 )                      |
| - brand name                                                         | ( 845 )                      | -                               | -                                         | ( 845 )                      |
| - right-of-use assets                                                | ( 1,418 )                    | ( 270 )                         | -                                         | ( 1,688 )                    |
| - other                                                              | ( 1,063 )                    | ( 473 )                         | -                                         | ( 1,536 )                    |
| <b>Deferred tax liabilities</b>                                      | <b>( 23,685 )</b>            | <b>61</b>                       | <b>( 35 )</b>                             | <b>( 23,659 )</b>            |
| <b>Net deferred tax liabilities</b>                                  | <b>( 15,066 )</b>            | <b>( 497 )</b>                  | <b>( 36 )</b>                             | <b>( 15,599 )</b>            |
| <b>Deferred income tax movement for the year ended 30 June 2021:</b> |                              |                                 |                                           |                              |
| <b>Deferred tax assets</b>                                           |                              |                                 |                                           |                              |
| - 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                           |
| <b>Deferred tax assets</b>                                           | <b>8,452</b>                 | <b>167</b>                      | <b>-</b>                                  | <b>8,619</b>                 |
| <b>Deferred tax liabilities</b>                                      |                              |                                 |                                           |                              |
| - 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 )                    |
| <b>Deferred tax liabilities</b>                                      | <b>( 22,491 )</b>            | <b>( 1,196 )</b>                | <b>2</b>                                  | <b>( 23,685 )</b>            |
| <b>Net deferred tax liabilities</b>                                  | <b>( 14,039 )</b>            | <b>( 1,029 )</b>                | <b>2</b>                                  | <b>( 15,066 )</b>            |

## 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.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Section A3 Balance Sheet information

#### 5. CASH AND CASH EQUIVALENTS

|                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------|----------------|----------------|
| <b>Cash at bank and in hand</b> | <b>3,274</b>   | <b>13,099</b>  |

#### 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

|                                      | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------|----------------|----------------|
| <b>Current</b>                       |                |                |
| Trade receivables                    | 11,458         | 43,414         |
| Related party receivables            | 1,199          | 1,613          |
| Other receivables                    | 1,909          | 1,003          |
| <b>Total current receivables</b>     | <b>14,566</b>  | <b>46,030</b>  |
| <b>Non-current</b>                   |                |                |
| Related party receivables            | 1,044          | 163            |
| Other receivables                    | 111            | -              |
| <b>Total non-current receivables</b> | <b>1,155</b>   | <b>163</b>     |

#### (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 (2021: \$Nil) have been recognised by the Group in the current year.

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

|      | Total<br>\$'000 | Not due<br>\$'000 | Number of days overdue |                 |                 |                |                 |
|------|-----------------|-------------------|------------------------|-----------------|-----------------|----------------|-----------------|
|      |                 |                   | 0-30<br>\$'000         | 31-60<br>\$'000 | 61-90<br>\$'000 | + 91<br>\$'000 | + 91#<br>\$'000 |
| 2022 | 11,458          | 11,458            | -                      | -               | -               | -              | -               |
| 2021 | 43,414          | 43,414            | -                      | -               | -               | -              | -               |

# 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 | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------------------------------------|------|----------------|----------------|
| <b>Current</b>                                                 |      |                |                |
| <i>Broadacres</i>                                              |      |                |                |
| Land to be subdivided - at cost                                |      | 8,129          | 23,399         |
| Borrowing and holding costs capitalised                        | 7(a) | 464            | 3,187          |
| Impairment provision                                           |      | (2,944)        | (3,800)        |
| <b>Total broadacres</b>                                        |      | <b>5,649</b>   | <b>22,786</b>  |
| <i>Work-in-progress</i>                                        |      |                |                |
| Land subdivided or in the course of being subdivided - at cost |      | 43,218         | 29,822         |
| Development costs capitalised                                  |      | 52,417         | 24,574         |
| Houses and apartments under construction - at cost             |      | 25,494         | 19,302         |
| Borrowing and holding costs capitalised                        | 7(a) | 11,249         | 5,980          |
| <b>Total work-in-progress</b>                                  |      | <b>132,378</b> | <b>79,678</b>  |
| <i>Completed inventory</i>                                     |      |                |                |
| Completed houses and apartments - at cost                      |      | 8,532          | 30,056         |
| Completed residential land lots - at cost                      |      | 2,927          | 17,680         |
| Borrowing and holding costs capitalised                        | 7(a) | 962            | 2,874          |
| Impairment provision                                           |      | -              | (919)          |
| <b>Total completed inventory</b>                               |      | <b>12,421</b>  | <b>49,691</b>  |
| <b>Total current inventories</b>                               |      | <b>150,448</b> | <b>152,155</b> |
| <b>Non-current</b>                                             |      |                |                |
| <i>Broadacres</i>                                              |      |                |                |
| Land to be subdivided - at cost                                |      | 414,360        | 261,111        |
| Borrowing and holding costs capitalised                        | 7(a) | 29,292         | 24,446         |
| Impairment provision                                           |      | (6,306)        | (6,890)        |
| <b>Total broadacres</b>                                        |      | <b>437,346</b> | <b>278,667</b> |
| <i>Work-in-progress</i>                                        |      |                |                |
| Land subdivided or in the course of being subdivided - at cost |      | 55,188         | 53,465         |
| Development costs capitalised                                  |      | 22,315         | 31,778         |
| Houses and apartments under construction - at cost             |      | 3,508          | 1,872          |
| Borrowing and holding costs capitalised                        | 7(a) | 19,448         | 21,990         |
| <b>Total work-in-progress</b>                                  |      | <b>100,459</b> | <b>109,105</b> |
| <i>Completed inventory</i>                                     |      |                |                |
| Completed houses and apartments - at cost                      |      | 434            | 413            |
| Completed residential land lots - at cost                      |      | 178            | 475            |
| Borrowing and holding costs capitalised                        | 7(a) | 11             | 34             |
| Impairment provision                                           |      | (32)           | (32)           |
| <b>Total completed inventory</b>                               |      | <b>591</b>     | <b>890</b>     |
| <b>Total non-current inventories</b>                           |      | <b>538,396</b> | <b>388,662</b> |
| <b>Total inventories</b>                                       |      | <b>688,844</b> | <b>540,817</b> |

## 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 5.26% (2021: 4.19%).

#### 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.

#### Movement in impairment provisions

|                       | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------|----------------|----------------|
| At beginning of year  | 11,641         | 10,622         |
| Amounts utilised      | (2,359)        | (774)          |
| Amounts provided      | -              | 1,793          |
| <b>At end of year</b> | <b>9,282</b>   | <b>11,641</b>  |

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

The Capitalisation Approach using a capitalisation rate of 5.75% (30 June 2021: 6.50%), 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)

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

Investment properties are measured as Level 3. Refer to note 22(v) for explanation of the levels of fair value measurement.

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

|                                   | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Current</b>                    |                |                |
| Prepayments                       | 2,687          | 2,950          |
| Deposits                          | 596            | 663            |
| <b>Total other current assets</b> | <b>3,283</b>   | <b>3,613</b>   |
| <b>Non - Current</b>              |                |                |
| Development costs capitalised     | -              | 4,920          |
| <b>Total other current assets</b> | <b>-</b>       | <b>4,920</b>   |

### 10. PLANT AND EQUIPMENT

|                                     | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>Leasehold improvements</b>       |                |                |
| At cost                             | 1,315          | 1,271          |
| Less: accumulated depreciation      | ( 544 )        | ( 391 )        |
| <b>Total leasehold improvements</b> | <b>771</b>     | <b>880</b>     |
| <b>Plant and equipment</b>          |                |                |
| At cost                             | 2,935          | 2,735          |
| Less: accumulated depreciation      | ( 1,647 )      | ( 1,605 )      |
| <b>Total plant and equipment</b>    | <b>1,288</b>   | <b>1,130</b>   |
| <b>Total plant and equipment</b>    | <b>2,059</b>   | <b>2,010</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. PLANT AND EQUIPMENT (continued)

## (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:

| Consolidated<br>For the year ended 30 June 2022 | Note | Leasehold<br>improvements<br>\$'000 | Plant and<br>equipment<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------|------|-------------------------------------|----------------------------------|-----------------|
| Carrying amount at 1 July 2021                  |      | 880                                 | 1,130                            | 2,010           |
| Additions                                       |      | 44                                  | 209                              | 253             |
| Depreciation charge                             | 3    | (153)                               | (51)                             | (204)           |
| <b>Carrying amount at 30 June 2022</b>          |      | <b>771</b>                          | <b>1,288</b>                     | <b>2,059</b>    |
| <b>For the year ended 30 June 2021</b>          |      |                                     |                                  |                 |
| Carrying amount at 1 July 2020                  |      | 1,028                               | 855                              | 1,883           |
| Additions                                       |      | -                                   | 366                              | 366             |
| Disposals                                       |      | -                                   | (3)                              | (3)             |
| Depreciation charge                             | 3    | (148)                               | (88)                             | (236)           |
| <b>Carrying amount at 30 June 2021</b>          |      | <b>880</b>                          | <b>1,130</b>                     | <b>2,010</b>    |

## (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 \$1,113,000 (2021: \$999,000) relating to expenditure for upgrade of the ERP system.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. 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 | IT equipment lease | Office premises lease | Total        |
|                                        |             | \$'000              | \$'000             | \$'000                | \$'000       |
| <b>For the year ended 30 June 2022</b> | <b>Note</b> |                     |                    |                       |              |
| <b>As at 1 July 2021</b>               |             | <b>255</b>          | <b>91</b>          | <b>4,577</b>          | <b>4,923</b> |
| Additions                              |             | 370                 | 75                 | 1,954                 | 2,399        |
| Amortisation expense                   | 3           | ( 225 )             | ( 80 )             | ( 1,234 )             | ( 1,539 )    |
| <b>As at 30 June 2022</b>              |             | <b>400</b>          | <b>86</b>          | <b>5,297</b>          | <b>5,783</b> |
| <b>Current</b>                         |             | -                   | -                  | -                     | -            |
| <b>Non-current</b>                     |             | <b>400</b>          | <b>86</b>          | <b>5,297</b>          | <b>5,783</b> |
| <b>Total</b>                           |             | <b>400</b>          | <b>86</b>          | <b>5,297</b>          | <b>5,783</b> |
| <b>For the year ended 30 June 2021</b> |             |                     |                    |                       |              |
| <b>As at 1 July 2020</b>               |             | <b>481</b>          | <b>189</b>         | <b>5,308</b>          | <b>5,978</b> |
| Additions                              |             | 30                  | 9                  | 1,305                 | 1,344        |
| Amortisation expense                   | 3           | ( 256 )             | ( 107 )            | ( 1,261 )             | ( 1,624 )    |
| Disposal                               |             | -                   | -                  | ( 775 )               | ( 775 )      |
| <b>As at 30 June 2021</b>              |             | <b>255</b>          | <b>91</b>          | <b>4,577</b>          | <b>4,923</b> |
| <b>Current</b>                         |             | -                   | -                  | -                     | -            |
| <b>Non-current</b>                     |             | <b>255</b>          | <b>91</b>          | <b>4,577</b>          | <b>4,923</b> |
| <b>Total</b>                           |             | <b>255</b>          | <b>91</b>          | <b>4,577</b>          | <b>4,923</b> |

### 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

## 12. INTANGIBLE ASSETS

|                                | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------|----------------|----------------|
| Brand name at cost             | 9,868          | 9,868          |
| Less: accumulated amortisation | ( 7,052 )      | ( 7,052 )      |
| <b>Total intangible assets</b> | <b>2,816</b>   | <b>2,816</b>   |

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 2022, 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.

## 13. PAYABLES

|                                           | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| <b>Current</b>                            |                |                |
| Land creditors                            | 61,332         | 7,410          |
| Trade creditors                           | 20,825         | 9,190          |
| Related party payables                    | 150            | 225            |
| Deferred Income                           | 961            | 1,155          |
| Contractual amounts payable to landowners | 575            | 5,946          |
| Property and payroll taxes payable        | 3,244          | 5,152          |
| Other creditors and accruals              | 6,848          | 3,257          |
| <b>Total current payables</b>             | <b>93,935</b>  | <b>32,335</b>  |
| <b>Non-current</b>                        |                |                |
| Land creditors                            | 86,249         | 14,251         |
| Deferred Income                           | 1,503          | 634            |
| Contractual amounts payable to landowners | 389            | 660            |
| <b>Total non-current payables</b>         | <b>88,141</b>  | <b>15,545</b>  |

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. 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 (other than land creditors), their carrying amount is assumed to approximate their fair value. Current and non-current land creditors have been discounted using a rate of 5.96% (2021: 3.61%).

### 14. BORROWINGS

|                                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| <b>Non-current</b>                                    |                |                |
| Bank loans                                            | 109,190        | 138,549        |
| <b>Total non-current interest-bearing liabilities</b> | <b>109,190</b> | <b>138,549</b> |

#### 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

### 14. BORROWINGS (continued)

#### Financing arrangements

The Group has access to the following lines of credit:

|                                      | Note  | Available<br>\$'000 | Utilised<br>\$'000 | Unutilised<br>\$'000 |
|--------------------------------------|-------|---------------------|--------------------|----------------------|
| <b>30 June 2022</b>                  |       |                     |                    |                      |
| Main banking facilities              | 14(a) |                     |                    |                      |
| - bank overdraft                     |       | 5,000               | -                  | 5,000                |
| - bank loans                         |       | 280,000             | 109,190            | 170,810              |
| - performance bonds                  |       | 15,000              | 6,094              | 8,906                |
|                                      |       | <b>300,000</b>      | <b>115,284</b>     | <b>184,716</b>       |
| Contract performance bond facilities | 14(b) |                     |                    |                      |
| - performance bonds                  |       | <b>75,000</b>       | <b>34,764</b>      | <b>40,236</b>        |
| <b>30 June 2021</b>                  |       |                     |                    |                      |
| Main banking facilities              | 14(a) |                     |                    |                      |
| - bank overdraft                     |       | 5,000               | -                  | 5,000                |
| - bank loans                         |       | 230,000             | 138,549            | 91,451               |
| - performance bonds                  |       | 15,000              | 5,987              | 9,013                |
|                                      |       | <b>250,000</b>      | <b>144,536</b>     | <b>105,464</b>       |
| Contract performance bond facilities | 14(b) |                     |                    |                      |
| - performance bonds                  |       | <b>60,000</b>       | <b>22,004</b>      | <b>37,996</b>        |

At 30 June 2022 main banking facilities are interchangeable up to \$47 million (2021: \$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 2024. 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 24). The weighted average interest rate including margin on the main banking facilities at 30 June 2022 was 2.65% (2021: 1.41%).

The Group increased its main banking facility limit from \$250 million to \$300 million during the year. The \$50 million limit increase was entirely contributed to bank loans by one of the existing lenders.

##### (b) Contract performance bond facilities

The Group has entered into Contract performance bond facilities of \$75,000,000 (2021: \$60,000,000) which are subject to review annually. \$25,000,000 of the facilities expire on 31 March 2023, \$35,000,000 of the facilities expire on 1 May 2023 and the balance of the facilities expire in June 2023. The Company increased the number of Contract performance bond providers from two to three in June 2022. The increase in the Contract performance bond facilities by \$15,000,000 is a result of the additional Contract performance bond provider. 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 24.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. 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 | IT equipment lease | Office premises lease | Total        |
|                           | \$'000              | \$'000             | \$'000                | \$'000       |
| <b>As at 1 July 2021</b>  | <b>257</b>          | <b>97</b>          | <b>4,889</b>          | <b>5,243</b> |
| Additions                 | 370                 | 75                 | 1,955                 | 2,400        |
| Payments                  | ( 227 )             | ( 84 )             | ( 1,118 )             | ( 1,429 )    |
| <b>As at 30 June 2022</b> | <b>400</b>          | <b>88</b>          | <b>5,726</b>          | <b>6,214</b> |
| <b>Current</b>            | <b>190</b>          | <b>32</b>          | <b>1,030</b>          | <b>1,252</b> |
| <b>Non-current</b>        | <b>210</b>          | <b>56</b>          | <b>4,696</b>          | <b>4,962</b> |
| <b>Total</b>              | <b>400</b>          | <b>88</b>          | <b>5,726</b>          | <b>6,214</b> |
| <b>As at 1 July 2020</b>  | <b>485</b>          | <b>197</b>         | <b>5,920</b>          | <b>6,602</b> |
| Additions                 | 30                  | 9                  | 1,305                 | 1,344        |
| Payments                  | ( 258 )             | ( 109 )            | ( 1,133 )             | ( 1,500 )    |
| Disposal                  | -                   | -                  | ( 1,203 )             | ( 1,203 )    |
| <b>As at 30 June 2021</b> | <b>257</b>          | <b>97</b>          | <b>4,889</b>          | <b>5,243</b> |
| <b>Current</b>            | <b>158</b>          | <b>81</b>          | <b>950</b>            | <b>1,189</b> |
| <b>Non-current</b>        | <b>99</b>           | <b>16</b>          | <b>3,939</b>          | <b>4,054</b> |
| <b>Total</b>              | <b>257</b>          | <b>97</b>          | <b>4,889</b>          | <b>5,243</b> |

The Group recognised rent expense from short-term leases of \$96,000 (2021: \$103,000) and leases of low-value assets of \$212,000 (2021: \$260,000).

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. LEASE LIABILITIES (continued)

#### 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 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 Group has no renewal options for leases of plant and equipment or motor vehicles.

### 16. PROVISIONS

|                                        | Rectification<br>\$'000 | Restructuring<br>\$'000 | Employee<br>entitlements<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|-------------------------|-------------------------|------------------------------------|-----------------|
| <b>For the year ended 30 June 2022</b> |                         |                         |                                    |                 |
| <b>At 1 July 2021</b>                  | <b>1,322</b>            | -                       | <b>6,757</b>                       | <b>8,079</b>    |
| Arising during the year                | 200                     | 89                      | 2,790                              | 3,079           |
| Utilised                               | ( 447 )                 | -                       | ( 2,831 )                          | ( 3,278 )       |
| <b>At 30 June 2022</b>                 | <b>1,075</b>            | <b>89</b>               | <b>6,716</b>                       | <b>7,880</b>    |
| <b>Current</b>                         | <b>575</b>              | <b>89</b>               | <b>6,068</b>                       | <b>6,732</b>    |
| <b>Non-current</b>                     | <b>500</b>              | -                       | <b>648</b>                         | <b>1,148</b>    |
| <b>Total</b>                           | <b>1,075</b>            | <b>89</b>               | <b>6,716</b>                       | <b>7,880</b>    |
| <b>For the year ended 30 June 2021</b> |                         |                         |                                    |                 |
| <b>At 1 July 2020</b>                  | <b>725</b>              | <b>300</b>              | <b>5,772</b>                       | <b>6,797</b>    |
| Arising during the year                | 622                     | -                       | 3,175                              | 3,797           |
| Utilised                               | ( 25 )                  | ( 300 )                 | ( 2,190 )                          | ( 2,515 )       |
| <b>At 30 June 2021</b>                 | <b>1,322</b>            | -                       | <b>6,757</b>                       | <b>8,079</b>    |
| <b>Current</b>                         | <b>1,022</b>            | -                       | <b>6,048</b>                       | <b>7,070</b>    |
| <b>Non-current</b>                     | <b>300</b>              | -                       | <b>709</b>                         | <b>1,009</b>    |
| <b>Total</b>                           | <b>1,322</b>            | -                       | <b>6,757</b>                       | <b>8,079</b>    |

#### 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.



# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. CONTRIBUTED EQUITY

|                      | 2022<br>Number     | 2021<br>Number     | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------|--------------------|--------------------|----------------|----------------|
| Ordinary shares      | 406,230,728        | 406,230,728        | 177,961        | 177,961        |
| Treasury shares      | ( 498,815 )        | ( 735,799 )        | ( 4,455 )      | ( 4,221 )      |
| <b>Share capital</b> | <b>405,731,913</b> | <b>405,494,929</b> | <b>173,506</b> | <b>173,740</b> |

| (a) Movement in ordinary share capital | Number             | Number             | \$'000         | \$'000         |
|----------------------------------------|--------------------|--------------------|----------------|----------------|
| <b>At beginning and end of year</b>    | <b>406,230,728</b> | <b>406,230,728</b> | <b>177,961</b> | <b>177,961</b> |

| (b) Movement in treasury shares | 2022<br>Number     | 2021<br>Number     | 2022<br>\$'000   | 2021<br>\$'000   |
|---------------------------------|--------------------|--------------------|------------------|------------------|
| At beginning of year            | ( 735,799 )        | -                  | ( 4,221 )        | ( 3,782 )        |
| On market acquisition of shares | ( 498,815 )        | ( 735,799 )        | ( 234 )          | ( 439 )          |
| Employee share scheme issue     | 735,799            | -                  | -                | -                |
| <b>At end of year</b>           | <b>( 498,815 )</b> | <b>( 735,799 )</b> | <b>( 4,455 )</b> | <b>( 4,221 )</b> |

During the year, 498,815 treasury shares were purchased by the AVJ Deferred Employee Share Plan Trust (AVJDESP) at a cost of \$234,000.

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.

### 18. RESERVES AND RETAINED EARNINGS

#### (a) Reserves

| Note                         | Foreign Currency<br>Translation<br>Reserve<br>\$'000 | Share-based<br>Payment<br>Reserve<br>\$'000 | Total<br>\$'000 |
|------------------------------|------------------------------------------------------|---------------------------------------------|-----------------|
| <b>At 1 July 2020</b>        | <b>3,028</b>                                         | <b>5,380</b>                                | <b>8,408</b>    |
| Foreign currency translation | ( 185 )                                              | -                                           | ( 185 )         |
| Share-based payment expense  | 31(a) -                                              | 730                                         | 730             |
| <b>At 30 June 2021</b>       | <b>2,843</b>                                         | <b>6,110</b>                                | <b>8,953</b>    |
| Foreign currency translation | ( 1,755 )                                            | -                                           | ( 1,755 )       |
| Share-based payment credit   | 31(a) -                                              | ( 388 )                                     | ( 388 )         |
| <b>At 30 June 2022</b>       | <b>1,088</b>                                         | <b>5,722</b>                                | <b>6,810</b>    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. 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 39(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

|                                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Movements in retained earnings were as follows: |                |                |
| At beginning of year                            | 226,416        | 210,543        |
| Profit after income tax                         | 13,078         | 18,716         |
| Dividends declared and paid                     | ( 11,781 )     | ( 2,843 )      |
| <b>At end of year</b>                           | <b>227,713</b> | <b>226,416</b> |

## 19. DIVIDENDS

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

The Company's Dividend Reinvestment Plan remains suspended.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. DIVIDENDS (continued)

|                                                                                      | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------------------------------------------------|----------------|----------------|
| <b>Dividend franking account</b>                                                     |                |                |
| Franking credits available for subsequent financial years based on a tax rate of 30% | <b>29,536</b>  | <b>30,675</b>  |

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

### 20. CASH FLOW STATEMENT RECONCILIATION

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

|                                                    | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| <b>Profit after tax</b>                            | <b>13,078</b>  | <b>18,716</b>  |
| <b>Adjustments for non-cash items:</b>             |                |                |
| Depreciation and amortisation                      | 1,743          | 1,860          |
| Net gain on disposal of right-of-use assets        | -              | ( 428 )        |
| Net loss on disposal of plant and equipment        | -              | 3              |
| Interest revenue classified as investing cash flow | ( 127 )        | ( 170 )        |
| Share of profit/(loss) of joint venture            | ( 1,647 )      | 2,295          |
| Change in inventory loss provisions                | ( 2,359 )      | 1,019          |
| Share-based payments expense                       | ( 388 )        | 730            |
| Fair value adjustment to investment property       | 4              | ( 180 )        |
| Provision/(reversal) - equity accounted investment | 1,489          | ( 1,554 )      |
| <b>Change in operating assets and liabilities:</b> |                |                |
| (Increase)/decrease in inventories                 | ( 145,668 )    | 47,222         |
| Decrease/(increase) in receivables                 | 30,472         | ( 11,115 )     |
| Decrease/(increase) in other assets                | 5,250          | ( 2,311 )      |
| Increase in deferred tax liability                 | 533            | 1,027          |
| (Decrease)/increase in net current tax liability   | ( 1,457 )      | 1,925          |
| Increase in payables                               | 132,384        | 3,648          |
| (Decrease)/increase in provisions                  | ( 199 )        | 1,282          |
| <b>Net cash from operating activities</b>          | <b>33,108</b>  | <b>63,969</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Section B – Risk

#### 21. 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.

##### *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.

#### 22. 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 when appropriate 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. With our strong level of sale contracts on hand and higher number of lots under development, the Group expects forecast cashflows in the medium term to be strong and lumpy and has resulted in the Group retaining all of the drawn debt at variable rates of interest.

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.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### (i) Interest rate risk (continued)

At balance date, the Group had the following cash and variable rate borrowings:

|                                  | 2022                                      |                   | 2021                                      |                   |
|----------------------------------|-------------------------------------------|-------------------|-------------------------------------------|-------------------|
|                                  | Weighted<br>average<br>interest rate<br>% | Balance<br>\$'000 | Weighted<br>average<br>interest rate<br>% | Balance<br>\$'000 |
| Cash                             | 1.15                                      | ( 3,274 )         | 0.11                                      | ( 13,099 )        |
| Bank loans                       | 2.65                                      | 109,190           | 1.41                                      | 138,549           |
| <b>Net financial liabilities</b> |                                           | <b>105,916</b>    |                                           | <b>125,450</b>    |
| <b>Borrowings not hedged</b>     |                                           | <b>105,916</b>    |                                           | <b>125,450</b>    |

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<br>Higher/(Lower) |                |
|------------------|------------------------------------|----------------|
|                  | 2022<br>\$'000                     | 2021<br>\$'000 |
| +50 basis points | ( 65 )                             | ( 77 )         |
| -50 basis points | 65                                 | 77             |

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

|                  | Profit After Tax<br>Higher/(Lower) |                |
|------------------|------------------------------------|----------------|
|                  | 2022<br>\$'000                     | 2021<br>\$'000 |
| +50 basis points | ( 371 )                            | ( 439 )        |
| -50 basis points | 371                                | 439            |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. 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<br>Higher/(Lower) |                | Equity<br>Higher/(Lower) |                |
|--------------|------------------------------------|----------------|--------------------------|----------------|
|              | 2022<br>\$'000                     | 2021<br>\$'000 | 2022<br>\$'000           | 2021<br>\$'000 |
| AUD/NZD +10% | ( 67 )                             | ( 18 )         | ( 4,024 )                | ( 6,478 )      |
| AUD/NZD -10% | 67                                 | 18             | 7,534                    | 6,849          |

#### (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 is not material. See note 36 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 2024 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 2022, none (2021: 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

### 22. 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 2022                | < 6 months<br>\$'000            | 6-12 months<br>\$'000         | > 1-5 years<br>\$'000            | Total<br>\$'000         |
|----------------------------------------|---------------------------------|-------------------------------|----------------------------------|-------------------------|
| <b>Financial Assets</b>                |                                 |                               |                                  |                         |
| Cash and cash equivalents              | 3,274                           | -                             | -                                | 3,274                   |
| Receivables                            | 14,067                          | 499                           | 1,155                            | 15,721                  |
|                                        | <b>17,341</b>                   | <b>499</b>                    | <b>1,155</b>                     | <b>18,995</b>           |
| <b>Financial Liabilities</b>           |                                 |                               |                                  |                         |
| Payables                               | 54,059                          | 39,876                        | 109,996                          | 203,931                 |
| Interest-bearing loans and borrowings* | 1,450                           | 1,442                         | 112,810                          | 115,702                 |
| Lease liabilities                      | 780                             | 758                           | 5,049                            | 6,587                   |
| Financial Guarantees                   | 1,515                           | -                             | -                                | 1,515                   |
|                                        | <b>57,804</b>                   | <b>42,076</b>                 | <b>227,855</b>                   | <b>327,735</b>          |
| <b>Net maturity</b>                    | <b>( 40,463 )</b>               | <b>( 41,577 )</b>             | <b>( 226,700 )</b>               | <b>( 308,740 )</b>      |
| <b>Year ended 30 June 2021</b>         | <b>&lt; 6 months<br/>\$'000</b> | <b>6-12 months<br/>\$'000</b> | <b>&gt; 1-5 years<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial Assets</b>                |                                 |                               |                                  |                         |
| Cash and cash equivalents              | 13,099                          | -                             | -                                | 13,099                  |
| Receivables                            | 35,543                          | 10,487                        | 163                              | 46,193                  |
|                                        | <b>48,642</b>                   | <b>10,487</b>                 | <b>163</b>                       | <b>59,292</b>           |
| <b>Financial Liabilities</b>           |                                 |                               |                                  |                         |
| Payables                               | 23,434                          | 8,901                         | 15,931                           | 48,266                  |
| Interest-bearing loans and borrowings* | 982                             | 976                           | 140,996                          | 142,954                 |
| Lease liabilities                      | 853                             | 577                           | 4,647                            | 6,077                   |
| Financial Guarantees                   | 1,049                           | -                             | -                                | 1,049                   |
|                                        | <b>26,318</b>                   | <b>10,454</b>                 | <b>161,574</b>                   | <b>198,346</b>          |
| <b>Net maturity</b>                    | <b>22,324</b>                   | <b>33</b>                     | <b>(161,411)</b>                 | <b>(139,054)</b>        |

\* 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 \$225 million (2021: \$143 million) of unused credit facilities available. Please refer to note 14.

## 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 2022                          |                                                |                                                  |              | Year ended 30 June 2021                          |                                                |                                                  |              |
|------------------------------|--------------------------------------------------|------------------------------------------------|--------------------------------------------------|--------------|--------------------------------------------------|------------------------------------------------|--------------------------------------------------|--------------|
|                              | 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 |
| <b>Financial liabilities</b> |                                                  |                                                |                                                  |              |                                                  |                                                |                                                  |              |
| Interest-bearing loans       | -                                                | 109,190                                        | -                                                | 109,190      | -                                                | 138,549                                        | -                                                | 138,549      |
|                              | -                                                | 109,190                                        | -                                                | 109,190      | -                                                | 138,549                                        | -                                                | 138,549      |

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.

## 23. 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 2022, a total dividend of \$11,781,000 was paid (2021: \$2,843,000).

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:

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Interest-bearing loans and borrowings | 109,190        | 138,549        |
| Less: cash and cash equivalents       | ( 3,274 )      | ( 13,099 )     |
| Net debt                              | 105,916        | 125,450        |
| Total equity                          | 408,029        | 409,109        |
| Total assets                          | 729,511        | 625,268        |
| <b>Net debt to equity ratio</b>       | <b>26.0%</b>   | <b>30.7%</b>   |
| <b>Net debt to total assets ratio</b> | <b>14.5%</b>   | <b>20.1%</b>   |

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Section C – Group Structure

#### 24. CONTROLLED ENTITIES

##### (a) Investment in controlled entities

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

| ECONOMIC ENTITY <sup>(1)</sup>                               | % Equity Interest |      | Included in Banking<br>Cross Deed of Covenant <sup>(2)</sup> |      |
|--------------------------------------------------------------|-------------------|------|--------------------------------------------------------------|------|
|                                                              | 2022              | 2021 | 2022                                                         | 2021 |
| <b>Entities included in the Closed Group</b>                 |                   |      |                                                              |      |
| A.V. Jennings Real Estate Pty Limited                        | 100               | 100  | No                                                           | No   |
| AVJennings Real Estate (VIC) Pty Limited                     | 100               | 100  | No                                                           | No   |
| AVJennings Holdings Limited <sup>(3)</sup>                   | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Properties Limited <sup>(3)</sup>                 | 100               | 100  | Yes                                                          | Yes  |
| Jennings Sinnamon Park Pty Limited                           | 100               | 100  | No                                                           | No   |
| Long Corporation Limited <sup>(3)</sup>                      | 100               | 100  | Yes                                                          | Yes  |
| Orlit Pty Limited <sup>(3)</sup>                             | 100               | 100  | Yes                                                          | Yes  |
| Sundell Pty Limited <sup>(3)</sup>                           | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Housing Pty Limited <sup>(3)</sup>                | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Home Improvements S.A. Pty Limited <sup>(3)</sup> | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Mackay Pty Limited <sup>(3)</sup>                 | 100               | 100  | Yes                                                          | Yes  |
| <b>Entities excluded from the Closed Group</b>               |                   |      |                                                              |      |
| Montpellier Gardens Pty Limited <sup>(3)</sup>               | 100               | 100  | Yes                                                          | Yes  |
| AVJennings (Cammeray) Pty Limited <sup>(3)</sup>             | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Syndicate No 3 Limited                            | 100               | 100  | No                                                           | No   |
| AVJennings Syndicate No 4 Limited <sup>(3)(4)</sup>          | 100               | 100  | No                                                           | Yes  |
| AVJennings Officer Syndicate Limited <sup>(3)</sup>          | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Properties SPV No 1 Pty Limited                   | 100               | 100  | No                                                           | No   |
| AVJennings Properties SPV No 2 Pty Limited <sup>(3)</sup>    | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Properties SPV No 4 Pty Limited <sup>(3)</sup>    | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Wollert Pty Limited <sup>(3)</sup>                | 100               | 100  | Yes                                                          | Yes  |
| AVJ Erskineville Pty Limited <sup>(3)</sup>                  | 100               | 100  | Yes                                                          | Yes  |
| AVJ Hobsonville Pty Limited <sup>(3)</sup>                   | 100               | 100  | Yes                                                          | Yes  |
| AVJennings Properties SPV No 9 Pty Limited <sup>(3)</sup>    | 100               | 100  | Yes                                                          | Yes  |
| AVJennings SPV No 10 Pty Limited                             | 100               | 100  | No                                                           | No   |
| AVJennings SPV No 19 Pty Limited <sup>(3)</sup>              | 100               | 100  | Yes                                                          | Yes  |
| AVJennings SPV No 20 Pty Limited <sup>(3)</sup>              | 100               | 100  | Yes                                                          | Yes  |
| AVJennings SPV No 22 Pty Limited <sup>(3)</sup>              | 100               | 100  | Yes                                                          | Yes  |
| AVJennings SPV No 23 Pty Limited <sup>(3)</sup>              | 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   |
| AVJennings SPV No 27 Pty Limited <sup>(6)</sup>              | 100               | -    | No                                                           | -    |
| AVJennings SPV No 28 Pty Limited <sup>(6)</sup>              | 100               | -    | No                                                           | -    |
| AVJennings SPV No 29 Pty Limited <sup>(6)</sup>              | 100               | -    | No                                                           | -    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. CONTROLLED ENTITIES (continued)

## (a) Investment in controlled entities (continued)

| ECONOMIC ENTITY <sup>(1)</sup>                             | % Equity Interest |      | Included in Banking Cross Deed of Covenant <sup>(2)</sup> |      |
|------------------------------------------------------------|-------------------|------|-----------------------------------------------------------|------|
|                                                            | 2022              | 2021 | 2022                                                      | 2021 |
| <b>Entities excluded from the Closed Group (continued)</b> |                   |      |                                                           |      |
| Creekwood Developments Pty Limited <sup>(3)</sup>          | 100               | 100  | Yes                                                       | Yes  |
| Portarlington Nominees Pty Limited <sup>(3)</sup>          | 100               | 100  | Yes                                                       | Yes  |
| AVJennings St Clair Pty Limited <sup>(3)</sup>             | 100               | 100  | Yes                                                       | Yes  |
| St Clair JV Nominee Pty Limited <sup>(3)</sup>             | 100               | 100  | Yes                                                       | Yes  |
| AVJennings Properties Wollert SPV Pty Limited              | 100               | 100  | No                                                        | No   |
| AVJennings Waterline Pty Limited <sup>(3)</sup>            | 100               | 100  | Yes                                                       | Yes  |
| Cusack Lane Nominees Pty Ltd <sup>(3)</sup>                | 100               | 100  | Yes                                                       | Yes  |

(1) All entities are incorporated in Australia. With the exception of AVJ Hobsonville Pty Limited which has a branch in New Zealand, all entities operate within Australia.

(2) These entities, including AVJennings Limited, are included under the Banking Cross Deed of Covenant referred to in note 14(a).

(3) These entities, including AVJennings Limited, are included in the Deeds of Indemnity for performance bond facilities referred to in note 14(b).

(4) In the process of deregistration.

(5) Incorporated on 6 October 2021.

## (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 24(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

### 24. 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 24(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 24(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   |                |
|---------------------------------|----------------|----------------|
|                                 | 2022<br>\$'000 | 2021<br>\$'000 |
| Revenues                        | 129,661        | 141,807        |
| Cost of sales                   | ( 82,969 )     | ( 104,202 )    |
| Other expenses                  | ( 41,846 )     | ( 36,249 )     |
| <b>Profit before income tax</b> | <b>4,846</b>   | <b>1,356</b>   |
| Income tax                      | ( 1,013 )      | ( 543 )        |
| <b>Profit after income tax</b>  | <b>3,833</b>   | <b>813</b>     |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. 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:

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| <b>Current assets</b>                 |                |                |
| Cash and cash equivalents             | 1,865          | 8,226          |
| Receivables                           | 118,041        | 118,560        |
| Inventories                           | 83,089         | 83,091         |
| Tax receivable                        | 922            | -              |
| Other assets                          | 2,553          | 2,694          |
| <b>Total current assets</b>           | <b>206,470</b> | <b>212,571</b> |
| <b>Non-current assets</b>             |                |                |
| Receivables                           | 1,044          | 163            |
| Inventories                           | 195,279        | 153,944        |
| Equity accounted investments          | 5,053          | 4,895          |
| Plant and equipment                   | 2,059          | 2,010          |
| Right-of-use assets                   | 5,629          | 4,727          |
| Intangible assets                     | 2,816          | 2,816          |
| Other assets                          | -              | 4,920          |
| <b>Total non-current assets</b>       | <b>211,880</b> | <b>173,475</b> |
| <b>Total assets</b>                   | <b>418,350</b> | <b>386,046</b> |
| <b>Current liabilities</b>            |                |                |
| Payables                              | 64,971         | 14,021         |
| Lease liabilities                     | 1,230          | 1,160          |
| Tax payable                           | -              | 1,342          |
| Provisions                            | 6,472          | 7,100          |
| <b>Total current liabilities</b>      | <b>72,673</b>  | <b>23,623</b>  |
| <b>Non-current liabilities</b>        |                |                |
| Payables                              | 13,408         | 15,702         |
| Interest-bearing loans and borrowings | 88,447         | 97,600         |
| Lease liabilities                     | 4,803          | 3,871          |
| Deferred tax liabilities              | 14,363         | 12,163         |
| Provisions                            | 1,148          | 1,009          |
| <b>Total non-current liabilities</b>  | <b>122,169</b> | <b>130,345</b> |
| <b>Total liabilities</b>              | <b>194,842</b> | <b>153,968</b> |
| <b>Net assets</b>                     | <b>223,508</b> | <b>232,078</b> |
| <b>Equity</b>                         |                |                |
| Contributed equity                    | 173,506        | 173,740        |
| Reserves                              | 5,722          | 6,110          |
| Retained earnings                     | 44,280         | 52,228         |
| <b>Total equity</b>                   | <b>223,508</b> | <b>232,078</b> |

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. 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   |                |
|------------------------------------------------------------|----------------|----------------|
|                                                            | 2022           | 2021           |
|                                                            | \$'000         | \$'000         |
| At the beginning of the year                               | 232,078        | 233,790        |
| Comprehensive income:                                      |                |                |
| Profit for the year                                        | 3,833          | 813            |
| Total comprehensive income for the year                    | 3,833          | 813            |
| Transactions with owners in their capacity as owners       |                |                |
| - Treasury shares acquired                                 | ( 234 )        | ( 439 )        |
| - Share-based payment (reversal)/expense                   | ( 388 )        | 730            |
| - Exchange variation on deregistration of foreign entity   | -              | 27             |
| - Dividends paid                                           | ( 11,781 )     | ( 2,843 )      |
| Total transactions with owners in their capacity as owners | ( 12,403 )     | ( 2,525 )      |
| <b>At the end of the year</b>                              | <b>223,508</b> | <b>232,078</b> |

### 25. EQUITY ACCOUNTED INVESTMENTS

|                       | 2022         | 2021         |
|-----------------------|--------------|--------------|
|                       | \$'000       | \$'000       |
| <b>Joint Ventures</b> | <b>5,053</b> | <b>4,895</b> |

#### 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 its carrying value and recognises it in the Consolidated Statement of Comprehensive Income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. EQUITY ACCOUNTED INVESTMENTS (continued)

## Interest in Joint Ventures

|                                                             | Interest held |              |
|-------------------------------------------------------------|---------------|--------------|
|                                                             | 2022          | 2021         |
| <b>Joint Venture and principal activities</b>               |               |              |
| Pindan Capital Group Dwelling Trust - Building Construction | 33.3%         | 33.3%        |
| <b>Movements in carrying amount</b>                         |               |              |
| At beginning of year                                        | 4,895         | 5,636        |
| Share of profit / (loss)                                    | 1,647         | ( 2,295 )    |
| At end of year before provision movement                    | 6,542         | 3,341        |
| (Provision) / reversal for loss on investment               | ( 1,489 )     | 1,554        |
| <b>At end of year<sup>(1)</sup></b>                         | <b>5,053</b>  | <b>4,895</b> |

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

|                                         | 2022<br>\$'000 | 2021<br>\$'000   |
|-----------------------------------------|----------------|------------------|
| <b>Share of assets and liabilities</b>  |                |                  |
| Current assets                          | 1,457          | 617              |
| Non-current assets                      | 5,359          | 6,647            |
| Total assets                            | 6,816          | 7,264            |
| Current liabilities                     | 261            | 2,075            |
| Non-current liabilities                 | 13             | 294              |
| Total liabilities                       | 274            | 2,369            |
| <b>Net assets</b>                       | <b>6,542</b>   | <b>4,895</b>     |
| <b>Share of revenues and expenses</b>   |                |                  |
| Revenues                                | 955            | 2,559            |
| Cost of sales                           | ( 867 )        | ( 4,299 )        |
| Expenses                                | 1,559          | ( 555 )          |
| Profit / (loss) before income tax       | 1,647          | ( 2,295 )        |
| <b>Profit / (loss) after income tax</b> | <b>1,647</b>   | <b>( 2,295 )</b> |

(1) For 2022, 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 2022 was \$1,489,000.

At 30 June 2022, there were no significant commitments entered into by the Joint Venture.

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

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. 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 |      |
|-----------------------------------------------------------------------------------|---------------|------|
|                                                                                   | 2022          | 2021 |
| <b>Joint Operation name, principal place of business and principal activities</b> |               |      |
| 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:

|                                                | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| <b>Share of assets and liabilities</b>         |                |                |
| Current assets                                 | 8,900          | 12,197         |
| Non-current assets                             | 25,538         | 22,496         |
| <b>Total assets</b>                            | <b>34,438</b>  | <b>34,693</b>  |
| Current liabilities                            | 6,204          | 8,622          |
| Non-current liabilities                        | 1,006          | 215            |
| <b>Total liabilities</b>                       | <b>7,210</b>   | <b>8,837</b>   |
| <b>Net assets</b>                              | <b>27,228</b>  | <b>25,856</b>  |
| <b>Share of revenues and expenses</b>          |                |                |
| Revenues                                       | 14,921         | 17,746         |
| Cost of sales                                  | (12,988)       | (11,907)       |
| Other expenses                                 | (562)          | (807)          |
| <b>Profit before income tax</b>                | <b>1,371</b>   | <b>5,032</b>   |
| Income tax                                     | (411)          | (1,510)        |
| <b>Profit after income tax</b>                 | <b>960</b>     | <b>3,522</b>   |
| <b>Total comprehensive income for the year</b> | <b>960</b>     | <b>3,522</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Section D – Other information

#### 27. CORPORATE INFORMATION

The Consolidated Financial Statements of AVJennings Limited for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 25 August 2022.

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*.

#### 28. 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).

#### 29. 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.

#### 30. 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

### 30. 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,<br>or indirectly or beneficially |                |
|----------------------------|---------------------------------------------------------------|----------------|
|                            | 2022<br>Number                                                | 2021<br>Number |
| Fully paid ordinary shares | 219,743,062                                                   | 224,703,013    |

#### (c) Entity with significant influence over AVJennings Limited

219,112,839 ordinary shares equating to 53.94% of the total ordinary shares on issue (2021: 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 2022. 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 2022.

#### (e) Transactions with related parties

|                                                          | 2022<br>\$ | 2021<br>\$ |
|----------------------------------------------------------|------------|------------|
| <b>Entity with significant influence over the Group:</b> |            |            |
| SC Global Developments Pte Ltd                           |            |            |
| Consultancy fee paid/payable                             | 600,000    | 590,000    |
| <b>Other:</b>                                            |            |            |
| Related party of P Kearns*                               |            |            |
| Special exertion fees paid/payable                       | 113,637    | 222,950    |
| Miscellaneous items                                      | 3,450      | -          |
| <b>Joint Operations:</b>                                 |            |            |
| Wollert JV                                               |            |            |
| Management fee received/receivable                       | 2,648,775  | 2,516,433  |
| 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

### 30. 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 25 and 26.

#### (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.

|                                | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Current receivables</b>     |                |                |
| Joint Ventures                 | 956            | 1,370          |
| <b>Non-current receivables</b> |                |                |
| Joint Ventures and others      | 1,044          | 163            |
| <b>Current payables</b>        |                |                |
| SC Global Developments Pte Ltd | 150            | 150            |
| Related party of P Kearns      | -              | 75             |

#### (h) Amounts advanced to and received from related parties

|                           | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Amounts advanced</b>   |                |                |
| Joint Ventures and others | 243            | 243            |

#### (i) Remuneration of Key Management Personnel (KMP)

|                              | 2022<br>\$       | 2021<br>\$       |
|------------------------------|------------------|------------------|
| <b>Short-term</b>            |                  |                  |
| - Salary/Fees                | 4,168,405        | 2,440,191        |
| - Accrued annual leave       | 74,317           | 10,814           |
| - STI                        | 476,934          | 703,296          |
| - Other <sup>(1)</sup>       | 3,009,862        | 26,693           |
| <b>Post employment</b>       |                  |                  |
| - Superannuation             | 168,039          | 134,414          |
| <b>Long-term</b>             |                  |                  |
| - Accrued Long service leave | 49,632           | 85,159           |
| <b>Share-based payment</b>   | ( 129,055 )      | 371,165          |
|                              | <b>7,818,134</b> | <b>3,771,732</b> |

(1) Includes former KMP's retirement payment.

#### (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.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. 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:

|                                                                               | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------------------------------------|----------------|----------------|
| Expense arising from equity-settled share-based payment transactions          | 581            | 800            |
| Expense reversed on forfeiture of shares                                      | ( 969 )        | ( 70 )         |
| <b>Total (credit) / expense arising from share-based payment transactions</b> | <b>( 388 )</b> | <b>730</b>     |

The share-based payment plan is described in note 31(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 ROE hurdle will apply to earlier grants.

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.

| <b>AVJennings' EPS growth rate over the three year performance period</b> | <b>Percentage of rights vesting</b>                    |
|---------------------------------------------------------------------------|--------------------------------------------------------|
| < 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                  |
| <b>AVJennings' ROE over the three year performance period</b>             | <b>Percentage of rights vesting</b>                    |
| < 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

## 31. SHARE-BASED PAYMENT PLANS (continued)

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

| AVJennings TSR rank<br>against ASX 300 RE Index at<br>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 -<br>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.

## (c) Summary of rights granted

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

|              | Total rights<br>granted | Rights vested<br>to date | Rights forfeited<br>to date | Rights cancelled<br>to date | Unvested rights at<br>30 June 2022 |
|--------------|-------------------------|--------------------------|-----------------------------|-----------------------------|------------------------------------|
| FY2019 Grant | 1,841,470               | ( 630,207 )              | ( 974,753 )                 | ( 236,510 )                 | -                                  |
| FY2020 Grant | 1,978,415               | ( 417,411 )              | ( 55,284 )                  | ( 942,205 )                 | 563,515                            |
| FY2021 Grant | 1,765,852               | ( 369,829 )              | ( 174,859 )                 | ( 384,130 )                 | 837,034                            |
| FY2022 Grant | 1,595,805               | ( 134,594 )              | -                           | ( 103,834 )                 | 1,357,377                          |
| <b>Total</b> | <b>7,181,542</b>        | <b>( 1,552,041 )</b>     | <b>( 1,204,896 )</b>        | <b>( 1,666,679 )</b>        | <b>2,757,926</b>                   |

## 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 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.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. 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 2022 and 2021.

|                                                                                                                                                       | 2022<br>Retention | 2022<br>Performance |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| Number of rights granted                                                                                                                              | 491,383           | 1,104,422           |
| Weighted average fair value at measurement date                                                                                                       | \$0.5788          | \$0.4273            |
| Dividend yield (%)                                                                                                                                    | 5.20              | 5.12                |
| Risk-free interest rate (%)                                                                                                                           | -0.16 to 1.23     | 0.15 to 1.31        |
| Expected life (years)                                                                                                                                 | 0.38 to 2.84      | 2.55 to 3.00        |
| Share price                                                                                                                                           | \$0.63            | \$0.61              |
|                                                                                                                                                       | 2021<br>Retention | 2021<br>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              |
| 32. AUDITOR'S REMUNERATION                                                                                                                            |                   |                     |
|                                                                                                                                                       | 2022<br>\$        | 2021<br>\$          |
| Fees to Ernst & Young                                                                                                                                 |                   |                     |
| Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of controlled entities | 309,441           | 298,632             |
| Fees for other services                                                                                                                               | 36,500            | 31,007              |
| <b>Total fees to Ernst &amp; Young</b>                                                                                                                | <b>345,941</b>    | <b>329,639</b>      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. 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:

|                                                              | 2022<br>\$'000         | 2021<br>\$'000         |
|--------------------------------------------------------------|------------------------|------------------------|
| Profit attributable to ordinary equity holders of the Parent | 13,078                 | 18,716                 |
|                                                              | <b>2022<br/>Number</b> | <b>2021<br/>Number</b> |
| Weighted average number of ordinary shares for diluted EPS   | 406,230,728            | 406,230,728            |
| Treasury shares                                              | ( 498,815 )            | ( 735,799 )            |
| Weighted average number of ordinary shares for basic EPS     | 405,731,913            | 405,494,929            |

### 34. PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary financial information

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

|                                                | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| <b>Balance Sheet</b>                           |                |                |
| Current assets                                 | 69,328         | 69,969         |
| <b>Total assets</b>                            | <b>232,614</b> | <b>233,255</b> |
| Current liabilities                            | 5              | 6              |
| <b>Total liabilities</b>                       | <b>5</b>       | <b>6</b>       |
| <b>Shareholders' equity</b>                    |                |                |
| Contributed equity                             | 173,506        | 173,739        |
| Reserves                                       |                |                |
| Share-based payment reserve                    | 5,703          | 6,110          |
| Retained earnings                              | 53,400         | 53,400         |
| <b>Total equity</b>                            | <b>232,609</b> | <b>233,249</b> |
| <b>Profit for the year</b>                     | -              | -              |
| <b>Total comprehensive income for the year</b> | -              | -              |

#### (b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any guarantees other than those mentioned in notes 14(a), 14(b), 24(c) and 36.

#### (c) Contingent liabilities of the Parent Entity

Please refer to note 36 for details of the Parent Entity's contingent liabilities.

# Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35. COMMITMENTS

#### Short-term/low value lease commitments – Group as lessee

Liabilities in respect of leases recognised in accordance with AASB 16 - Leases, are presented in note 15. 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.

Short-term/low value 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 short-term/low value leases, and no short-term/low value leases contain restrictions on financing or other leasing activities.

Future minimum rentals payable under non-cancellable short-term/low value leases are as follows:

|                                                                                                           | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Short-term/low value leases</b>                                                                        |                |                |
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities: |                |                |
| Within one year                                                                                           | 474            | 246            |
| After once year, but not more than five years                                                             | 305            | 100            |
| <b>Total short-term/low value leases</b>                                                                  | <b>779</b>     | <b>346</b>     |
| <b>Represented by:</b>                                                                                    |                |                |
| Non-cancellable short-term/low value leases                                                               | 395            | 234            |
| Cancellable short-term/low value leases                                                                   | 384            | 112            |
| <b>Total short-term/low value leases</b>                                                                  | <b>779</b>     | <b>346</b>     |

### 36. 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 24(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 24(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 2022 amounted to \$34,764,000 (2021: \$22,004,000).

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 24(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 2022, amounted to \$4,579,000 (2021: \$4,938,000). No liability is expected to arise.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36. CONTINGENCIES (continued)

#### *Financial guarantees*

Financial guarantees granted by the Group's bankers to unrelated parties in the normal course of business at 30 June 2022, amounted to \$1,515,000 (2021: \$1,049,000). No liability is expected to arise.

### 37. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

### 38. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

#### **Accounting Standards, Interpretations and Amendments**

Several amendments and interpretations apply for the first time in 2022, but do not have a significant impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective. The Group is currently assessing the impact of standards which will be effective in future years.

### 39. 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 2022. 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

### 39. 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.

## 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 2022 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 28; 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 2022.
- 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 24 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

25 August 2022



Philip Kearns

Director



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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 2022, 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 2022 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.



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

### Why significant

Approximately 94% 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 economic uncertainty, ongoing COVID-19 disruptions, increasing costs and higher interest rates.

This was considered a key audit matter as the assessment of NRV 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 21 of the financial report.

### How our audit addressed the key audit matter

Our audit procedures focused on assessing the judgments and assumptions made by the Group in the feasibilities underpinning the net realisable 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 and cost 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 current market conditions, ongoing COVID-19 disruptions, increasing costs and higher interest rates on the Group's forward-looking assumptions.
- ▶ Tested the mathematical accuracy of the feasibilities selected.



## 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 2022 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.





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.



## 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 2022.

In our opinion, the Remuneration Report of AVJennings Limited for the year ended 30 June 2022, 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.

A stylized signature of Ernst &amp; Young in a dark blue, cursive font.

Ernst & Young

A stylized signature of Glenn Maris in a dark blue, cursive font.

Glenn Maris  
Partner  
25 August 2022

# Shareholder Information.

As at 22 August 2022.

## 1. NUMBER OF SHAREHOLDERS AND DISTRIBUTION OF EQUITY SECURITIES

|                                                           | Australian Securities<br>Exchange | Singapore<br>Exchange | Total        |
|-----------------------------------------------------------|-----------------------------------|-----------------------|--------------|
| <b>Range of Holdings of Ordinary Shares</b>               |                                   |                       |              |
| 1 - 1,000                                                 | 631                               | 272                   | 903          |
| 1,001 - 5,000                                             | 743                               | 549                   | 1,292        |
| 5,001 - 10,000                                            | 275                               | 174                   | 449          |
| 10,001 - 100,000                                          | 582                               | 200                   | 782          |
| 100,001 - and over                                        | 159                               | 26                    | 185          |
| <b>Total number of holders</b>                            | <b>2,390</b>                      | <b>1,221</b>          | <b>3,611</b> |
| <b>Number of holders of less than a marketable parcel</b> | <b>672</b>                        | <b>309</b>            | <b>981</b>   |

## 2. SUBSTANTIAL SHAREHOLDERS

As disclosed by latest notices received by the Company:

| Name                           | Ordinary<br>Shares | %     |
|--------------------------------|--------------------|-------|
| SC Global Developments Pte Ltd | 219,112,839        | 53.94 |

# Shareholder Information.

As at 22 August 2022.

## 3. TWENTY LARGEST SHAREHOLDERS ON THE AUSTRALIAN REGISTER

| Name                                                 | Ordinary Shares    | %            |
|------------------------------------------------------|--------------------|--------------|
| The Central Depository (Pte) Ltd                     | 224,870,414        | 55.36        |
| HSBC Custody Nominees (Australia) Ltd                | 18,378,675         | 4.52         |
| Brazil Farming Pty Ltd                               | 17,184,527         | 4.23         |
| BNP Paribas Nominees Pty Ltd <DRP>                   | 16,256,298         | 4.00         |
| Citicorp Nominees Pty Ltd                            | 11,589,201         | 2.85         |
| 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         |
| Mr Peter Summers                                     | 5,217,819          | 1.28         |
| Horrie Pty Ltd                                       | 3,783,369          | 0.93         |
| Jamplat Pty Ltd                                      | 3,771,019          | 0.93         |
| Mr Bradley J Newcombe                                | 3,500,000          | 0.86         |
| Luton Pty Ltd                                        | 3,294,263          | 0.81         |
| Ago Pty Ltd                                          | 3,160,802          | 0.78         |
| JP Morgan Nominees Australia Pty Ltd                 | 2,737,388          | 0.67         |
| Pacific Custodians Pty Ltd AVJ Def Emp Share Trust   | 2,512,981          | 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                               | 1,501,472          | 0.37         |
| Carlcorp Pty Ltd <Carlcorp Super Fund A/c>           | 1,368,609          | 0.34         |
| <b>Total</b>                                         | <b>340,636,168</b> | <b>83.85</b> |

# Shareholder Information.

As at 22 August 2022.

## 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 | 11,960,005         | 2.94         |
| 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         |
| Rowland Wong Kwok Ho                  | 804,175            | 0.20         |
| DBS Nominees Pte Ltd                  | 801,805            | 0.20         |
| Vesmith Investments Pte Ltd           | 681,796            | 0.17         |
| Raffles Nominees (Pte) Ltd            | 661,885            | 0.16         |
| 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         |
| Ng Poh Cheng                          | 309,131            | 0.08         |
| UOB Kay Hian Pte Ltd                  | 283,414            | 0.07         |
| Teo Chiang Long                       | 269,172            | 0.07         |
| 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         |
| <b>Total</b>                          | <b>216,159,977</b> | <b>53.21</b> |

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 Mak Lye Mun  
Ms Lisa Chung  
Mr Philip Kearns

## 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

## SHARE REGISTRY

### Australia

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

### Singapore

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

## DIVIDENDS

An Interim Dividend of \$0.011 for FY22  
was paid on 25 March 2022.  
A final dividend of \$0.0067 for FY22  
will be paid to shareholders on  
22 September 2022.



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on our past.  
Shaping  
your future.**

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community  
developer.**

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