


DATE OF OFFER SPECIFIC PROSPECTUS: 22 MARCH 2017

This Offer Specific Prospectus relates to the offer of “Villa World Bonds” or “Bonds”, simple corporate bonds to be issued by Villa World Limited (the “Offer”), under the Base Prospectus dated 22 March 2017 (“Base Prospectus”). This Offer Specific Prospectus must be read together with the Base Prospectus.

The disclosure document for the Offer consists of this Offer Specific Prospectus and the Base Prospectus.



VILLA WORLD BONDS

PART A: OFFER SPECIFIC PROSPECTUS FOR THE ISSUE OF VILLA WORLD BONDS – SERIES A, TRANCHE 1

ISSUER: Villa World Limited ABN 38 117 546 326

ARRANGER: ANZ Securities Limited

JOINT LEAD MANAGERS: ANZ Securities Limited, Evans & Partners Pty Ltd, Morgans Financial Limited

CELEBRATING 30 YEARS
SUCCESS THROUGH PROPERTY



TABLE OF CONTENTS		PAGE
SECTION 1	What you need to know	3
SECTION 2	Key dates and offer details	5
SECTION 3	Other specific information you should consider	11
SECTION 4	How to apply	23

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A | Section One

What you need to know



30 YEARS
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1. **This Offer Specific Prospectus is not a summary of the information contained in the Base Prospectus. You must read the Base Prospectus together with this Offer Specific Prospectus.**
2. This Offer Specific Prospectus is only relevant for this offer (the “Offer”) of Villa World Bonds – Series A, Tranche 1 (“Bonds”). The disclosure document for each offer of Villa World Bonds will consist of the Base Prospectus and an offer-specific prospectus for the relevant offer.
3. A Base Prospectus applies to this Offer.
4. This Offer Specific Prospectus provides offer details, key dates and other relevant information for the Offer. The Base Prospectus provides additional information that is also critical to your investment decision. You should take all of the information in the Base Prospectus into consideration before making your decision in relation to the Offer.
5. You should read both the Base Prospectus and this Offer Specific Prospectus in full before making your investment decision in relation to the Offer.
6. To make an effective decision, you should read the Base Prospectus at the same time as you read this Offer Specific Prospectus, so that you can consider all of the information about this Offer.
7. **About this Offer Specific Prospectus**
 This Offer Specific Prospectus relates to an offer by Villa World Limited (ABN 38 117 546 326) (“Villa World”) to issue \$50 million of Bonds, on the terms set out in this Offer Specific Prospectus and the Base Prospectus. This Offer Specific Prospectus and the Base Prospectus are together referred to as the “Offer Documents”.
 This Offer Specific Prospectus is dated 22 March 2017 and was lodged with the Australian Securities and Investments Commission (“ASIC”) on that date. This Offer Specific Prospectus is only relevant to the Offer (i.e. the offer of the Bonds) and expires on the date which is 13 months after the date the document is lodged with ASIC. No Bonds will be issued on the basis of the Offer Documents after that date.
 The Bonds are unsecured notes for the purposes of section 283BH of the Corporations Act.
8. The Offer Documents, including any information referred to or incorporated by reference therein, contain important information that you should read before making a decision to invest in Bonds. Information about Villa World can be found in Section 3 (“About Villa World”) of the Base Prospectus and is also available at www.villaworld.com.au/investor-centre.
9. You should rely only on information in the Offer Documents. No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in the Offer Documents. Any information or representation not contained in the Offer Documents may not be relied upon as having been authorised by Villa World or any other member of the Group in connection with the Offer.
10. **The Offer Documents do not provide financial product or investment advice**
 The information contained in the Offer Documents does not constitute financial product or investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read the Offer Documents in full before deciding whether to invest in any Bonds and consider the risks that could affect the performance of the Bonds. You should read Section 4 of the Base Prospectus for information about the key risks associated with the Bonds.
 The Offer Documents are only relevant for investors or potential investors in the Bonds and should not be used for any other purpose.
11. **Obtaining the Offer Documents and Application Form**
 Paper copies of the Offer Documents, an Application Form and any documents incorporated by reference can be obtained free of charge by calling the Villa World Bonds Information Line on 1300 651 684 (within Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday 9.00 am to 5.00 pm, Sydney time. Electronic copies may also be obtained from www.villaworld.com.au/investor-centre during the Offer Period.
12. **Defined words and expressions**
 Some words and expressions used in this Offer Specific Prospectus have defined meanings. These words and expressions are capitalised and are defined in Section 6 (“Glossary”) of the Base Prospectus.

ASIC GUIDANCE FOR CORPORATE BOND INVESTORS

To find out more about the pros and cons of investing in corporate bonds (such as the Bonds), visit ASIC’s MoneySmart website: <http://www.moneysmart.gov.au>



More information on bonds (such as the Bonds) and the things you should consider before making an investment decision can be found on ASIC's MoneySmart website at <http://www.moneysmart.gov.au>

KEY DATES FOR THE OFFER

Lodgement of this Offer Specific Prospectus with ASIC	22 March 2017
Bookbuild to determine Interest Rate and Allocations to Syndicate Brokers and Institutional Investors	29 March 2017
Opening Date for the Offer and lodgement of the replacement Offer Specific Prospectus with ASIC	30 March 2017
Closing Date for the Broker Firm Offer (10.00 am Sydney time)	20 April 2017
Issue Date	21 April 2017
Bonds commence trading on ASX on a deferred settlement basis	24 April 2017
Holding Statements despatched by the Registry	26 April 2017
Bonds commence trading on ASX on a normal settlement basis	27 April 2017

KEY DATES FOR THE BONDS

First Interest Payment Date ¹	21 July 2017
Maturity Date	21 April 2022

Notes

- ¹ Interest is scheduled to be paid quarterly on the Interest Payment Dates, until the Maturity Date or any earlier Redemption Date. If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day. The first Interest Payment Date will be 21 July 2017 and subsequent Interest Payment Dates will be 21 July, 21 October, 21 January and 21 April in each year to and including the Maturity Date (being 21 April 2022).

Dates may change

The key dates for the Offer are indicative only and subject to change without notice. Villa World may, in consultation with the Joint Lead Managers, vary the timetable, including to close the Offer early, extend the Offer, or to withdraw the Offer at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. If you decide to invest in the Bonds, you are encouraged to lodge your Application as soon as possible after the Opening Date.

TERMS OF THE BONDS

The following terms (“**Offer Specific Terms**”), together with the terms set out in the Base Prospectus (as supplemented, amended, modified or replaced by the Offer Specific Terms) (“**Base Terms**”), are the terms and conditions of the Bonds, the subject of this Offer Specific Prospectus (“**Terms**”). Unless otherwise specified, capitalised expressions in the Offer Specific Terms have the meanings given in the Base Terms.

		Further information	Page
Issuer	Villa World Limited (ABN 38 117 546 326).	Section 3 of this Offer Specific Prospectus Base Prospectus (Section 3)	11
Villa World Bonds – Series A, Tranche 1	Interest paying, unsubordinated and unsecured debt obligations issued by Villa World. Each Bond is issued on and subject to the provisions of the Trust Deed and the Terms.	Base Terms	
Offer size	\$50 million. The minimum Offer size is \$50 million. If total application monies received is less than \$50 million, then no Bonds will be issued under the Offer.		
Face Value and Issue Price	\$100 per Bond.		
Offer Structure	The Offer comprises: – Broker Firm Offer – Institutional Offer	Section 4 of this Offer Specific Prospectus	23
Minimum Application	50 Bonds for applicants under the Institutional Offer and Broker Firm Offer (\$5,000).		
Term	5 years.		
Maturity Date	21 April 2022 (unless Redeemed early).		
Guarantors	As at the date of this Offer Specific Prospectus, Villa World expects to be able to meet its payment obligations under the Bonds. Such payment obligations have the benefit of a Guarantee given by the Guarantors. Villa World is required to ensure that, so long as any Villa World Bond remains outstanding, each member of the Group which provides a guarantee of indebtedness of any other member of the Group, under the terms of any of the Group's external bank debt facilities, is a Guarantor. This requirement as to the Guarantors does not apply to joint venture entities included in the consolidated financial statements of the Group pursuant to Current Accounting Practice.	Base Terms (Clause 3.3 and 4.3) Base Prospectus (Section 2.1.3 under the heading “Guarantee”) Trust Deed (Clause 3.6 and Schedule 4)	
Interest Rate	Floating Interest Rate. The Interest Rate is the sum of the Market Rate plus the Margin.	Base Prospectus	
Margin	The Margin is expected to be in the range of 4.75 per cent. to 5.00 per cent. per annum. The Margin may be outside that range.		

		Further information	Page
	The Margin will be determined by Villa World following completion of the Bookbuild. The Margin will be announced by Villa World on or around the Opening Date.		
Interest Payment Dates	<p>The first Interest Payment Date will be 21 July 2017. Interest will be paid quarterly in arrear on the following dates in each year as well as on the Maturity Date, or any earlier Redemption Date:</p> <ul style="list-style-type: none"> – 21 July – 21 October – 21 January – 21 April <p>If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day. Interest will continue to accrue until that date.</p>		
Business Day Convention	Following Business Day Convention	Base Prospectus (Section 6)	47
Day Count Fraction	Actual/365 (Fixed)	Base Prospectus (Section 6)	47
Early Redemption rights of Villa World	<p>Villa World will only have the right (but not the obligation) to Redeem the Bonds prior to the Maturity Date:</p> <ul style="list-style-type: none"> – following the occurrence of a Tax Event; – following the occurrence of a Change of Control Event; or – when a Clean Up Condition subsists. <p>Villa World will also have the ability to purchase the Bonds in the open market or otherwise at any price. Such purchased Bonds may then be held, resold, or cancelled at Villa World's sole discretion.</p>	<p>Base Prospectus (Section 2.1.3)</p> <p>Base Terms (Clauses 5.2, 5.3, 5.4 and 5.5)</p>	10
Early Redemption rights of Holders	<p>Holders of Bonds will only have the right to require Redemption prior to the Maturity Date following the occurrence of a Change of Control Event. To exercise this right, Holders would be required to pass a Holder Resolution directing the Trustee to require Villa World to Redeem all of the Bonds.</p>	<p>Base Prospectus (Section 2.1.3)</p> <p>Base Terms (Clause 5.4)</p> <p>Definition of "Holder Resolution" in Section 6 ("Glossary") of the Base Prospectus</p>	<p>11</p> <p>48</p>
Negative Pledge	<p>A negative pledge will apply to the Bonds and it is described in Section 2.1.4 of the Base Prospectus under the heading "Negative Pledge". For the purposes of the definition of "Permitted Security Interest", the Secured Gearing Ratio would not be greater than 40%. This means, broadly, that Villa World and the Guarantors can incur secured debt in the form of syndicated and term loans and bonds, subject to this Secured Gearing Ratio.</p> <p>The negative pledge will not apply to members of the Group that are not Villa World or a Guarantor, and will not apply to joint venture entities included in the consolidated</p>	<p>Base Prospectus (Section 2.1.4)</p> <p>Base Terms (Clause 4.1)</p>	13

		Further information	Page
	financial statements of the Group pursuant to Current Accounting Practice.		
Limitation on debt incurrence covenant	<p>A limitation on debt incurrence covenant will apply to the Bonds and it is described in Section 2.1.4 of the Base Prospectus under the heading "Limitation on debt incurrence covenant". For the purposes of the covenant, the Gearing Ratio would be no greater than 50%.</p> <p>The debt incurrence covenant will not apply to members of the Group that are not Villa World or a Guarantor, and will not apply to joint venture entities included in the consolidated financial statements of the Group pursuant to Current Accounting Practice.</p>	<p>Base Prospectus (Section 2.1.4)</p> <p>Base Terms (Clause 4.2)</p>	14
Ranking on winding up	<p>A Holder's claim will rank equally with claims of all other unsubordinated and unsecured creditors other than secured creditors and any obligations preferred by mandatory provisions of applicable law, including employee entitlements.</p> <p>Villa World and the Guarantors have secured debt obligations, including to Australia and New Zealand Banking Group Limited ("ANZ"), which will rank ahead of Villa World's and the Guarantors' obligations to Holders in a winding up. ANZ Securities Limited, the Arranger, is a wholly-owned subsidiary of ANZ.</p> <p>A Holder's claim will rank ahead of all holders of subordinated instruments and common equity in Villa World.</p>	<p>Base Prospectus (Section 2.1.5)</p> <p>Base Terms (Clause 3)</p>	15
Events of Default	<p>Events of Default are set out in the Base Terms and described in the Base Prospectus and include:</p> <ul style="list-style-type: none"> – non-payment of principal or interest; – failure by Villa World to comply with certain other obligations; – cross-acceleration; – the insolvency of Villa World; – vitiation of rights or obligations under the Trust Deed or terms of the Bonds; – the Guarantee not being (or being claimed by a Guarantor not to be) in full force and effect; or – it becoming unlawful for Villa World to perform any of its payment obligations under the Bonds. <p>Holders should be aware that the insolvency Event of Default (set out in Clause 6.1(d) of the Base Terms) only applies in respect of the insolvency of Villa World (not the insolvency of any other member of the Group).</p>	<p>Base Prospectus (Section 2.1.3)</p> <p>Base Terms (Clause 6)</p>	12
Existing Security	As at the date of this Offer Specific Prospectus, existing financiers of Villa World and of the Guarantors have the benefit of security granted by Villa World and the		

		Further information	Page
	Guarantors. Such security has been granted in respect of a total bank facility limit of \$190 million. These financiers would, in the event of a winding up of Villa World and/or the Guarantors, rank for payment ahead of Holders.		
Fees and charges	<p>No fees, charges, brokerage, commission or stamp duty is payable by you on your application for the Bonds.</p> <p>You may be required to pay brokerage if you sell your Bonds after the Bonds are quoted on ASX.</p>		
Fees and costs associated with the Offer	The total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, and administrative fees, as well as printing, advertising and other expenses related to the Offer) are expected to be approximately \$1.52 million exclusive of GST. All of these expenses have been, or will be, borne by Villa World out of the proceeds of the Offer.	Section 3.2 of this Offer Specific Prospectus	12
		Section 3.8.3 of this Offer Specific Prospectus	19
Listing	<p>Villa World will apply for the quotation of the Bonds on ASX.</p> <p>It is expected that the Bonds will be quoted under the code "VLWHA".</p> <p>If ASX does not grant permission for the Bonds to be quoted by the Issue Date, the Bonds will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.</p>		
Selling restrictions	Selling restrictions apply to the sale of Bonds in certain foreign jurisdictions.	Base Prospectus (Section 5.3)	43

If you have any questions about the Bonds or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Villa World Bonds Information Line on 1300 651 646 (within Australia) or +61 3 9415 4000 (outside Australia) (Monday to Friday 9.00 am – 5.00 pm, Sydney time) during the Offer Period.

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Section Three

Offer specific information you should consider



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3.1 BUSINESS UPDATE

Villa World updated the market on 15 February 2017 at the time of announcing its results for the half-year ended 31 December 2016. The key highlights of the announcement included:

- Statutory profit after tax of \$19.6 million (1H16: \$20.4 million).
- EPS: 17.4 cps (1H16: 18.5 cps).
- FY17 guidance increased to profit after tax of \$37.5 million, representing growth of 11% over FY16 (\$33.7 million).
- 8.0 cps fully franked interim dividend declared post balance date (1H16: 8.0 cps).
- Guidance for total dividend for FY17 increased to 18.5 cents per share fully franked.
- 554 sale contracts carried forward with a gross value of \$191.6 million.
- Acquisitions success – 1,496 lots acquired.
- Debt facility with long-term, staggered maturity profile (refer to Section 3.5 of this Offer Specific Prospectus).

You should refer to the Appendix 4D and consolidated financial statements for the half-year ended 31 December 2016 which were lodged with ASX on 15 February 2017 for further details of Villa World's results for the period then ended.

On 22 March 2017, Villa World announced that it was conducting an underwritten institutional placement to certain sophisticated and professional investors to raise approximately \$20 million ("**Placement**"). A non-underwritten share purchase plan ("**SPP**") capped at \$10 million was also announced by Villa World.

3.2 USE OF PROCEEDS OF THE OFFER

The proceeds of the Offer, along with the proceeds from the Placement and the SPP, will be used for the acquisition of new sites that meet Villa World's investment criteria. Investors should have regard to Section 3.2.4 (*Villa World Business Model*) and 3.2.6 (*Portfolio acquisitions to ensure growth over the medium term*) of the Base Prospectus which sets out further information on Villa World's business model which includes investment in new sites over time and actively assessing a pipeline of projects that may be suitable for acquisition. This business strategy is illustrated by Villa World's purchase in 1H17 of 1,496 lots, and more recently, its announcement of the acquisition of a 42 hectare site at Clyde in Victoria.

As Villa World continues to assess different acquisition opportunities within its pipeline, the proceeds of the Offer, the Placement and the SPP, will give Villa World additional financial capacity to replenish and increase land stocks through strategic purchases in optimal growth corridors, resulting in a 'step change' in the business. A successful Offer will also have the effect of diversifying Villa World's debt capital structure and support its growth objectives, yet at the same time maintaining prudent gearing levels.

The table below outlines the net proceeds of the Offer, assuming an issue of \$50 million in Bonds. The costs set out are estimates and exclusive of GST:

	\$
Funds raised	50,000,000
Less costs of the Offer	
Arranger and Joint Lead Manager fees	1,000,000
Legal	215,000
Debt and capital structuring advice	150,000
Accounting and tax	61,000
Registry costs	44,250
Other (including statutory costs, distribution costs, other)	50,531
Net proceeds of Offer	48,479,219

The pro forma impacts of the issue of the Bonds and Placement are outlined in the following sections of this Offer Specific Prospectus:

- (i) Section 3.3 (Effect of the Offer on Villa World) – this section includes the pro forma impacts on the Group's historical balance sheet as at 31 December 2016;
- (ii) Section 3.4 (Key Financial Ratios) – this section shows the pro forma impact on the Key Financial Ratios and other relevant financial ratios; and
- (iii) Section 3.5 (Details of Ranking and Other Debt on Issue) – this section shows the pro forma impact on the Group's debt maturity profile.

3.3 EFFECT OF THE OFFER ON VILLA WORLD

3.3.1 HISTORICAL AND PRO FORMA HISTORICAL BALANCE SHEET

The unaudited financial information in this section is presented in an abbreviated form and does not contain all of the presentation, disclosures, statements and comparative information as required by Australian Accounting Standards that are usually provided in an annual or interim financial report prepared in accordance with the Corporations Act.

The historical consolidated balance sheet has been derived from the Group's financial statements for the half-year ended 31 December 2016, which have been reviewed by Villa World's auditors.

The historical consolidated balance sheet has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") as issued by the Australian Accounting Standards Board.

The pro forma historical balance sheet for the Group has been prepared solely for inclusion in this Offer Specific Prospectus and has been derived from the reviewed historical balance sheet of the Group as at 31 December 2016, adjusted for the effects of the pro forma transactions described below. Due to its nature, the pro forma historical balance sheet does not represent the Group's actual or prospective financial position.

The pro forma historical balance sheet for the Group has been prepared in accordance with recognition and measurement principles prescribed in AAS other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of events or transactions as if they had occurred as at 31 December 2016.

Set out on the following page is a summary of the Group's historical consolidated balance sheet as at 31 December 2016, together with pro forma adjustments that assume the following transactions were completed on 31 December 2016:

- (i) \$50 million Bond issue (pursuant to this Offer Specific Prospectus), which is classified as borrowings – this results in 'Cash and cash equivalents' increasing by \$50 million and non-current 'Borrowings' increasing by \$50 million.
- (ii) Approximately \$1.52 million in transaction costs associated with the Bond issue – financial liabilities are recognised net of their transaction costs, in accordance with Australian Accounting Standard AASB 139. Accordingly, the payment of the transaction costs results in non-current 'Borrowings' and 'Cash and cash equivalents' each reducing by \$1.52 million.
- (iii) \$20 million underwritten Placement issue (net of associated costs of approximately \$550,000).¹

The Financial Information included in this Offer Specific Prospectus is intended to present potential investors with information to assist them in understanding the historical financial position of the Group, together with the Pro Forma Historical Balance Sheet for the Group.

¹ As at the date of this Offer Specific Prospectus and in addition to the Placement, Villa World is seeking to raise up to \$10 million pursuant to the SPP. This amount has not been included in the pro-forma calculations in Section 3 of this Offer Specific Prospectus as the SPP is not underwritten and there is no certainty as to the final amount to be raised under the SPP.

3.3.2 HISTORICAL AND PRO FORMA HISTORICAL BALANCE SHEET AS AT 31 DECEMBER 2016

	Historical balance sheet 31 December 2016	Pro-forma adjustments (i) to (iii)	Pro-forma historical balance sheet
	\$'000	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	14,130	67,929	82,059
Trade and other receivables	51,983	-	51,983
Inventories	140,503	-	140,503
Other current assets	3,577	-	3,577
Total current assets	210,193	67,929	278,122
Non-current assets			
Non-current inventory	202,419	-	202,419
Property, plant and equipment	1,219	-	1,219
Investment accounted for using the equity method	22,739	-	22,739
Total non-current assets	226,377	-	226,377
Total assets	436,570	67,929	504,499
LIABILITIES			
Current Liabilities			
Trade and other payables	55,894	-	55,894
Deferred income	527	-	527
Current tax liabilities	5,375	-	5,375
Service warranties	4,199	-	4,199
Employee benefits	870	-	870
Other provisions	138	-	138
Total current liabilities	67,003	-	67,003
Non-current liabilities			
Payables	5,640	-	5,640
Borrowings	111,142	48,479	159,621
Deferred income	281	-	281
Deferred tax liability	2,229	-	2,229
Employee benefits	424	-	424
Other provisions	71	-	71
Total non-current liabilities	119,787	48,479	168,266
Total liabilities	186,790	48,479	235,269
Net assets	249,780	19,450	269,230
EQUITY			
Contributed equity	447,937	19,450	467,387
Other reserves	202,013	-	202,013
Accumulated losses	(400,170)	-	(400,170)
Total equity attributable to shareholders	249,780	19,450	269,230

3.4 KEY FINANCIAL RATIOS

Source of Financial Information

This section describes some of the key financial indicators which will assist investors in assessing the financial position and strength of the Group. In addition to these key financial indicators, you should review the Group's financial statements contained in Villa World's 2016 Annual Report and the Group's financial statements for the half-year ended 31 December 2016.

You must refer to Section 3.7.2 of the Base Prospectus which describes the Key Financial Ratios.

The table below sets out the prescribed Key Financial Ratios (Prescribed Gearing Ratio, Prescribed Interest Cover Ratio and Prescribed Working Capital Ratio) which are calculated on the basis prescribed by the Corporations Act and Corporations Regulation 6D.2.06. The intended purpose of this requirement is to give an indication of the capacity of an issuer to meet its obligations to holders under the bonds.

The ratios are based on the Group's financial information for the years ended 30 June 2015 and 30 June 2016 and the half-year ended 31 December 2016 and for the pro forma half-year ended 31 December 2016 (assuming a raising of \$50 million under the Offer and \$20 million under the Placement):

Prescribed Key Financial Ratios as at	30 June 15	30 June 16	31 Dec 16	Pro forma 31 Dec 16
Prescribed Gearing Ratio	96%	102%	75%	87%
Prescribed Interest Cover Ratio	4.2x	6.3x	8.4x	8.4x
Prescribed Working Capital Ratio	2.3x	2.7x	3.1x	4.2x

Other Relevant Financial Ratios

In overseeing the capital management aspect of its business, Villa World focusses on other relevant financial ratios, which include the Reported Gearing Ratio, the Reported Interest Cover Ratio and the ratios under the Terms.

Reported Gearing Ratio and Reported Interest Cover Ratio

Villa World has historically reported the Reported Gearing Ratio and the Reported Interest Cover Ratio to ASX as part of its annual and half-yearly reporting.

The Reported Gearing Ratio and the Reported Interest Cover Ratio are based on Villa World's consolidated financial information for the years ended 30 June 2015 and 30 June 2016 and the half-year ended 31 December 2016 and for the pro forma half-year ended 31 December 2016 (assuming a raising of \$50 million under the Offer and \$20 million under the Placement).

Ratios under the Terms

Villa World is also subject to certain ratios, which are used in the negative pledge and the limitation on debt incurrence covenant contained in Clauses 4.1 and 4.2 of the Base Terms. Those ratios are the Gearing Ratio (which is calculated consistently with the Reported Gearing Ratio described above) and the Secured Gearing Ratio.

The calculation of these ratios is based on financial information derived from the Group's consolidated financial statements for the years ended 30 June 2015 and 30 June 2016 and the half-year ended 31 December 2016 and for the pro forma half-year ended 31 December 2016 (assuming a raising of \$50 million under the Offer and \$20 million under the Placement). These consolidated financial statements include investments in joint ventures on an equity accounted basis (and not on a look-through basis) in accordance with Current Accounting Practice.

Other Relevant Financial Ratios as at	30 June 15	30 June 16	31 Dec 16	Pro Forma 31 Dec 16
Reported Gearing Ratio / Gearing Ratio under the Terms	17%	26%	23%	18%
Secured Gearing Ratio	17%	26%	23%	7%
Reported Interest Cover Ratio	4.0x	6.1x	8.1x	8.1x

The methods for calculating the "Other relevant financial ratios"

The method for calculating these "Other relevant financial ratios" and the reasons for their use by Villa World are set out in Sections 3.7.3 and 3.7.4 of the Base Prospectus.

3.5 DETAILS OF RANKING AND OTHER DEBT ON ISSUE

Illustration of Ranking Upon Winding Up Of Villa World

	Type of instrument	Existing debt obligations and equity	Amount drawn as at 31 December 2016 adjusted for the assumed amount to be raised under the Offer (\$50m) and assumed amount to be raised under the Placement (\$20m)
<div>Higher ranking</div> <div>↑</div> <div>↓</div> <div>Lower ranking</div>	Secured debt	Bank facilities	\$124.9m ¹
	Unsubordinated unsecured debt	The Bonds	\$50.0m ²
	Subordinated, unsecured debt and hybrid instruments	None	None
	Ordinary equity	Contributed equity, reserves and retained profits	\$269.2m ³

Notes:

- ¹ Consists of borrowings (per 31 December 2016 balance sheet) of \$111.1m and bank guarantees (per C3 Borrowings note to 1H17 financial statements) of \$13.8m, totalling \$124.9m.
- ² Pro forma - adjusted for the gross amount to be raised under the Offer (\$50 million), pre-costs.
- ³ Pro forma - adjusted for the net amount to be raised under the Placement (\$20 million net of \$0.5 million in costs).

The tables on the following pages set out the maturity profile of Villa World's external debt facilities as at 31 December 2016². It does not include any adjustment for the issue of the Bonds.

The secured debt is owed to two Australian banks, including ANZ. This debt matures before the maturity date of the Bonds and may or may not be refinanced by those banks. ANZ's role as a lender to Villa World could give rise to potential conflicts of interest between ANZ and its affiliates and the Holders. Neither ANZ nor any other financier to Villa World has any obligation to take into account the interests of Holders when making decisions in their role as creditors (including when negotiating the terms of any such refinancing, or whether to refinance at all). If the secured debt is not refinanced, Villa World's financial condition may change adversely, which may impact Villa World and the Guarantors' ability to meet their obligations under the Bonds. In its role as a creditor, ANZ will have access to information about, and analysis on, Villa World and the Guarantors, but ANZ is under no obligation to (and will not) provide such information and analysis to Holders of the Bonds during the term of the Villa World Bonds.

² The maturity dates for Villa World's facility with ANZ were extended in March 2017 under a credit approved term sheet signed on 14 March 2017. The tables in this section 3.5 of this Offer Specific Prospectus reflect the extended maturity dates under that facility.

Villa World's existing external debt facilities and their maturities as at 31 December 2016 are as set out below. Each of the bank facilities referred to below is secured.

Secured bank facilities	Drawn balance – 31 December 2016 (\$m)	Bank facility limit (\$m)	Maturity ³
ANZ Overdraft – August 2018 maturity	-	10.0	August 2018
Westpac Cash advance – March 2019 maturity ⁴	22.8	42.5	March 2019
ANZ Cash advance – October 2020 maturity ^{3, 4}	63.3	65.0	October 2020
ANZ Cash advance – October 2021 maturity ³	25.0	40.0	October 2021
ANZ Cash advance – March 2022 maturity ^{3, 4}	-	10.0	March 2022
	111.1	167.5	
Westpac Bank guarantees ⁴	4.1	7.5	March 2019
ANZ Bank guarantees ^{3, 4}	9.7	15.0	October 2020
	124.9	190.0	

Capital commitments	As at 31 December 2016 (\$m)	Maturity
Joint Ventures	22.5	August 2017 to August 2018
Put and call arrangements ⁵	48.5	Expected January 2017 to January 2018. Predominantly paid out of proceeds received from third party settlements.

³ The maturity dates for Villa World's facility with ANZ were extended in March 2017 under a credit approved term sheet signed on 14 March 2017.

⁴ The bank facility maturing in October 2020 of \$80m is interchangeable between cash and bank guarantees. Villa World may draw up to \$15m under the bank guarantee sub facility with the remainder of the \$80m facility not drawn as bank guarantees available for cash advances. Similarly, the bank facility maturing in March 2019 of \$50m is interchangeable between cash advances and bank guarantees. Villa World may draw up to \$7.5m as bank guarantees with the remainder of the \$50m facility not drawn as bank guarantees available for cash advances.

⁵ Capital commitments are future cash outflows which are dependent on a future event. Put and call arrangements with land owners are a part of Villa World's ordinary course of business. The call option gives Villa World or a third party an option to purchase land lots at a nominated price by a future date. The put option gives the land owner the right to sell the lots to Villa World at the nominated price by a future date. The commitments are crystallised to the balance sheet on the exercise of the put or call option which aligns to the registration of the land by the land owner on a stage by stage basis. The agreements are severable by development stage and the commitments may be less than the total commitments under the agreements as shown above. The nominated price is predominantly paid to the land owner out of third party proceeds on the settlement of house and land contracts.

Villa World's existing external debt facilities and their maturities, assuming the issue of \$50 million in Bonds on a pro-forma basis as at 31 December 2016, are as follows:

Secured bank facilities	Drawn balance – 31 December 2016 (\$m)	Bank facility limit (\$m)	Maturity ⁶
ANZ Overdraft – August 2018 maturity	-	10.0	August 2018
Westpac Cash advance – March 2019 maturity ⁷	22.8	42.5	March 2019
ANZ Cash advance – October 2020 maturity ^{6, 7}	63.3	65.0	October 2020
ANZ Cash advance – October 2021 maturity ⁶	25.0	40.0	October 2021
ANZ Cash advance – March 2022 maturity ^{6, 7}	-	10.0	March 2022
	111.1	167.5	
Westpac Bank guarantees ⁷	4.1	7.5	March 2019
ANZ Bank guarantees ^{6, 7}	9.7	15.0	October 2020
	124.9	190.0	

Bonds	Issued (\$m)	Maturity
Bonds issued	50.0	21 April 2022

Capital commitments	As at 31 December 2016 (\$m)	Maturity
Joint Ventures	22.5	August 2017 to August 2018
Put and call arrangements ⁸	48.5	Expected January 2017 to January 2018. Predominantly paid out of proceeds received from third party settlements.

⁶The maturity dates for Villa World's facility with ANZ were extended in March 2017 under a credit approved term sheet signed on 14 March 2017.

⁷ The bank facility maturing in October 2020 of \$80m is interchangeable between cash and bank guarantees. Villa World may draw up to \$15m under the bank guarantee sub facility with the remainder of the \$80m facility not drawn as bank guarantees available for cash advances. Similarly, the bank facility maturing in March 2019 of \$50m is interchangeable between cash advances and bank guarantees. Villa World may draw up to \$7.5m as bank guarantees with the remainder of the \$50m facility not drawn as bank guarantees available for cash advances.

⁸ Capital commitments are future cash outflows which are dependent on a future event. Put and call arrangements with land owners are a part of Villa World's ordinary course of business. The call option gives Villa World or a third party an option to purchase land lots at a nominated price by a future date. The put option gives the land owner the right to sell the lots to Villa World at the nominated price by a future date. The commitments are crystallised to the balance sheet on the exercise of the put or call option which aligns to the registration of the land by the land owner on a stage by stage basis. The agreements are severable by development stage and the commitments may be less than the total commitments under the agreements as shown above. The nominated price is predominantly paid to the land owner out of third party proceeds on the settlement of house and land contracts.

3.6 KEY RISKS UPDATE

An outline of some of the risks relating to the Bonds and Villa World's business is contained in Section 4 ("**Risks**") of the Base Prospectus. You should read the Base Prospectus and this Offer Specific Prospectus in full before deciding whether to invest in the Bonds.

3.7 SUMMARY OF BENEFITS

ANZ Securities Limited will act as Arranger for the Offer, and will be paid fees of 0.25% of the gross proceeds of the Offer.

ANZ Securities Limited, Evans and Partners Pty Limited and Morgans Financial Limited will act as Joint Lead Managers to the Offer, and will be paid fees of 0.75% of the gross proceeds of the Offer. Any broker firm selling fees are to be paid by the Arranger on behalf of Villa World out of a broker firm selling fee of 1.00% of the gross proceeds of successful Broker Firm Offer applicants secured under the Bookbuild, and any institutional selling fees are to be paid by the Arranger on behalf of Villa World out of a selling fee of 1.0% of the gross proceeds of successful Institutional Offer applicants secured under the Bookbuild.

Ernst & Young Transaction Advisory Services Limited has provided debt and capital structuring advice for the Offer, and will be paid fees of approximately \$150,000 (excluding GST).

Ernst & Young has provided financial due diligence services and will be paid fees of approximately \$30,000 (excluding GST).

KPMG has given Villa World Australian taxation advice in connection with the Offer, and will be paid fees of approximately \$31,000 (excluding GST) for work up to the date of the Offer Documents. Further amounts may be paid to KPMG under its normal time based charges.

Allens has given Villa World Australian legal advice in connection with the Offer, and will be paid fees of approximately \$150,000 (excluding GST) for work up to the date of the Offer Specific Prospectus (including for work in respect of the Base Prospectus). Further amounts may be paid to Allens under its normal time-based charges, and in payment of disbursements. Allens has also advised Villa World on matters relating to other debt instruments and facilities.

Other than as set out in this Offer Specific Prospectus, no amounts have been paid or agreed to be paid, or benefit been given or agreed to be given to any:

- director or proposed directors of Villa World;
- person named in the Offer Documents as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Offer Documents;
- promoter of Villa World; or
- underwriter or financial services licensee named in this Offer Specific Prospectus.

The Offer does not relate to the formation or promotion of Villa World.

3.8 OTHER INFORMATION

3.8.1 NO MATERIAL BREACHES OF LOAN COVENANTS OR DEBT OBLIGATIONS

Villa World has not materially breached any loan covenants or debt obligations in the two years prior to the date of this Offer Specific Prospectus.

3.8.2 BASE PROSPECTUS IS UP-TO-DATE

Other than the information contained in this Offer Specific Prospectus, all information in the Base Prospectus remains current as at the date of this Offer Specific Prospectus.

You must read the Base Prospectus in conjunction with this Offer Specific Prospectus.

3.8.3 OTHER IMPORTANT INFORMATION

The following documents have been incorporated by reference and as such form part of the Offer Specific Prospectus.

The following materials are available from Villa World's website www.villaworld.com.au/investor-centre and a copy of each document can be obtained free of charge by calling the Villa World Bonds Information Line on 1300 651 684 (within Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday 9.00 am to 5.00 pm, Sydney time during the Offer Period.

- Trust Deed, which was filed with ASIC on 22 March 2017. The Bonds will be constituted under the Trust Deed, which contains the agreement between Villa World and the Trustee in relation to the Trustee's role, and the circumstances in which the Trustee can or must act in the interests of Holders; and

- Base Terms (which are included as a schedule to the Trust Deed), which were filed with ASIC on 22 March 2017. The Terms consist of the Base Terms as supplemented, amended, modified or replaced by the Offer Specific Terms.

Under the law, Villa World must immediately disclose any information which would have a material impact on the trading price of its securities. This information is publicly available through ASX. You should consider this information when making an investment decision in relation to the Bonds.

It is important that you read the Base Prospectus and this Offer Specific Prospectus before you make any decision to invest in the Bonds.

3.8.4 TRUSTEE'S LIABILITY AND PRIVACY POLICY

Refer to section 3.6.2 of the Base Prospectus for statements regarding the Trustee's liability and section 3.6.3 of the Base Prospectus for the Trustee's privacy policy.

3.8.5 CONSENTS TO BE NAMED

Each of the parties referred to in the following table:

- has given and has not, before the lodgement of this Offer Specific Prospectus with ASIC, withdrawn its written consent to be named in the Offer Documents in the form and context in which it is named;
- has not, and its affiliates, officers and employees have not, made any statement in the Offer Documents or any statement on which a statement made in the Offer Documents is based; and
- does not cause, permit or authorise the issue or lodgement, submission, dispatch or provision of the Offer Documents.

Name of person	Named as
ANZ Securities Limited	Arranger and Joint Lead Manager
Evans & Partners Pty Ltd	Joint Lead Manager
Morgans Financial Limited	Joint Lead Manager
Allens	Australian legal adviser
Ernst & Young Transaction Advisory Services Limited	Adviser
Ernst & Young	Auditor
KPMG	Tax adviser
Computershare Investor Services Pty Limited	Registry
Australian Executor Trustees Limited	Trustee

Each of the persons referred to above:

- has not authorised or caused the issue of the Offer Documents, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in the Offer Documents; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from the Offer Documents other than references to its name.

3.8.6 ACKNOWLEDGEMENTS

Each person who applies to participate in the Offer, or submits an Application Form will be deemed to have:

- acknowledged having personally received a paper or electronic copy of the Base Prospectus and this Offer Specific Prospectus (and any supplementary or replacement document) accompanying the Application Form and having read them all in full;
- acknowledged that the Applicant(s) understand the Terms and have had an opportunity to consider the suitability of an investment in the Bonds with their professional advisers;
- agreed to be bound by the Terms;
- declared that all details and statements in their Application Form are complete and accurate;

- consented to the use and disclosure of the Applicant's(s') personal information as described in Section 5.2 of the Base Prospectus, and understood and agreed that the use and disclosure of the Applicant's(s') personal information applies to any personal information collected by Villa World and any entity in the Group in the course of the Applicant's(s') relationship with Villa World and any entity in the Group;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that once Villa World or the Registry receives an Application Form it may not be withdrawn, except as allowed by law;
- acknowledged that, in some circumstances, Villa World may not pay any amount payable on the Bonds;
- applied for the number of Bonds at the Australian dollar amount shown on the Application Form;
- agreed to being allocated the number of Bonds applied for (or a lower number allocated in a way described in this Offer Specific Prospectus), or no Bonds at all;
- authorised Villa World and the Joint Lead Managers and their respective officers or agents, to do anything on the Applicant's(s') behalf necessary for Bonds to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- acknowledged that the information contained in this Offer Specific Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that Bonds are suitable for the Applicant(s), given the Applicant's(s') investment objectives, financial situation or particular needs;
- declared that the Applicant(s) is an Australian resident or otherwise a person to whom the offer of Bonds can be made, and Bonds issued to, in accordance with Section 4.1 of this Offer Specific Prospectus;
- acknowledged that Bonds have not been, and will not be, registered pursuant to the securities laws of any other jurisdiction outside Australia; and
- acknowledged that investments (such as an investment in the Bonds) are subject to risk, including possible delays in repayment and loss of income and principal invested.

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Section Four

How to apply



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4.1 APPLYING FOR THE BONDS

You may apply for the Bonds under one of the following Offer tranches:

Offer tranches	Who can apply	When to apply	How to apply
Institutional Offer	Institutional Investors – that is an investor who was invited by the Joint Lead Managers to bid for the Bonds, who is not a Broker Firm Offer Applicant.	Institutional Investors should contact the Joint Lead Managers for instructions on participating in the Bookbuild.	Applications and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers.
Broker Firm Offer	Australian resident retail clients of a Syndicate Broker invited by the Syndicate Broker to participate through the Broker Firm Offer.	<p>Applications will only be accepted during the Offer Period, which is expected to commence on 30 March 2017.</p> <p>The Closing Date for the Broker Firm Offer is 10.00 am (Sydney time) on 20 April 2017.</p> <p>Your completed Broker Firm Offer Application Form and Application Monies must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</p>	<p>You must contact your Syndicate Broker for instructions about how to complete your Application.</p> <p>You must not return your Application to the Registry or Villa World.</p>

4.2 MINIMUM APPLICATION

The amount you have to pay for each Villa World Bond is \$100. The minimum application size is 50 Bonds (\$5,000) for Applicants under the Institutional Offer and Broker Firm Offer.

4.3 NO BROKERAGE OR STAMP DUTY

You do not have to pay brokerage or stamp duty on your Application for Bonds. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of Bonds on the ASX.

4.4 EXPOSURE PERIOD

The Corporations Act prohibits Villa World from processing Applications to subscribe for Bonds under the Offer Documents in the seven day period after the lodgement date of this Offer Specific Prospectus ("**Exposure Period**"). This period may be extended by ASIC by up to a further seven days.

This period is to enable this Offer Specific Prospectus (and the Base Prospectus) to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

4.5 ALLOCATION POLICY

Bookbuild

The Bookbuild is a process that will be conducted by the Joint Lead Managers before the Opening Date.

In this process, the Bookbuild participants are invited to lodge bids for Bonds. On the basis of those bids, Villa World, in consultation with the Joint Lead Managers, will determine the Interest Rate and the firm allocations to Bookbuild participants, being Syndicate Brokers and certain Institutional Investors.

Broker Firm Offer

If you have applied under the Broker Firm Offer, your Syndicate Broker is responsible for determining your Allocation from their Broker Firm Allocation. Villa World takes no responsibility for any allocation, scale-back or rejection that is decided by your Syndicate Broker. It will be a matter for your Syndicate Broker to determine how they allocate Bonds among their eligible retail clients and if any Application Monies need to be refunded.

Institutional Offer

Allocations to Institutional Investors will be determined by Villa World in consultation with the Joint Lead Managers following the Bookbuild.

4.6 ISSUE AND QUOTATION OF BONDS

It is expected that the Bonds will be quoted on the ASX under the ASX code "VLWHA". If ASX does not grant permission for the Bonds to be quoted by the Issue Date, the Bonds will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.

4.7 TRADING AND HOLDING STATEMENTS**(a) Commencement of trading of Bonds on ASX**

It is expected that the Bonds will begin trading on ASX on a normal settlement basis on 27 April 2017.

It is your responsibility to determine your holding of Bonds before trading to avoid the risk of selling Bonds you do not own. You should also check your holding by asking your broker or calling the Villa World Bonds Information Line on 1300 651 684 (within Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday 9.00 am to 5.00 pm, Sydney time, after close of the Offer Period.

(b) Holding Statements

Villa World will apply for the Bonds to participate in CHESS and, if accepted, no certificates will be issued. Instead, a Holding Statement will be mailed to Holders.

If your holding of the Bonds changes, you will receive an updated Holding Statement.

(c) Provision of TFN and/or ABN

When your Holding Statement is mailed, you will also be mailed a form on which to provide your TFN and/or ABN should you wish to do so (see Section 5.1.8 ("Provision of TFN and/or ABN") of the Base Prospectus).

(d) Provision of bank account details for payments

Interest will be paid in Australian dollars by direct credit into nominated Australian financial institution accounts (excluding credit card accounts), for Holders with a registered address in Australia. For all other Holders, Interest will be paid by Australian dollar cheque. When your Holding Statement is mailed, you will also be mailed a form on which to provide your bank account details for payments of Face Value and Interest.

CORPORATE DIRECTORY

REGISTERED OFFICE OF VILLA WORLD

Villa World Limited
Level 1, Oracle West
19 Elizabeth Avenue
Broadbeach, Queensland 4218
Telephone +61 (0) 7 5588 8888
www.villaworld.com.au

LEGAL ADVISER

Allens
Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

ADVISER

Ernst & Young Transaction Advisory Services Limited
200 George Street
Sydney NSW 2000

AUDITOR

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

TAX ADVISER

KPMG
Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

REGISTRY

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101

VILLA WORLD BONDS INFORMATION LINE

1300 651 684 (within Australia)
+61 3 9415 4000 (outside Australia)
9.00 am to 5.00 pm (Sydney time), Monday to Friday

WEBSITE

www.villaworld.com.au

ARRANGER AND JOINT LEAD MANAGER

ANZ Securities Limited
242 Pitt Street
Sydney NSW 2000

JOINT LEAD MANAGERS

Evans & Partners Pty Ltd
Mayfair Building
Level 7, 171 Collins Street
Melbourne VIC 3000

Morgans Financial Limited
Level 29, 123 Eagle Street
Brisbane QLD 4000

TRUSTEE

Australian Executor Trustees Limited
Level 22, 207 Kent Street
Sydney NSW 2000

Villa World Limited

ABN 38 117 546 326

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