



20 October 2014

Silverstone litigation

The Company wishes to respond to certain media articles published in the Courier Mail and Gold Coast Bulletin on Saturday 18 October 2014, in relation to a residential building known as Silverstone, Tweed Heads, NSW (Building).

On 26 September 2013, the Company announced that proceedings had been commenced against a subsidiary, Villa World Developments Pty Ltd (VWD), in relation to alleged defects at the Building. The proceedings were commenced by the Owners Corporation for the Building, and by unit owners (Applicants).

No claim amount was specified when the proceedings were commenced. The matter has been noted as a contingent liability in the Company's financial statements for FY12, FY13 and FY14.

The Building comprises 27 units and was completed in 2009. VWD was the registered builder. It engaged independent subcontractors to carry out construction.

The alleged defects primarily relate to the Building's walling system which was supplied by a third party and installed by an independent subcontractor.

The Applicants are yet to specify any claim amount in the proceedings. In accordance with a Court order, the Applicants have provided an engineer's report discussing proposed rectification options for the alleged defects. The report also sets out preliminary cost estimates for two of the proposed rectification options, both of which are approximately \$14.5million. This is the only information provided by the Applicants to date in relation to rectification methods and costs, contrary to suggestions in one of the media articles that the Building may require demolition and rebuilding at a cost of up to \$20million.

VWD's experts are currently reviewing the report. In accordance with directions of the Court, VWD's experts will provide "without prejudice" responses to all other parties to the proceedings.

VWD has denied liability in the proceedings and is continuing to defend them. VWD has also made cross-claims seeking recovery for any potential liability against the supplier of the walling system, the installer of the walling system, the structural engineer for the Building and seeking indemnity from the Company's insurer. Some of the cross-defendants have also nominated additional parties as being responsible for any potential liability.

Until the proceedings are resolved there will be ongoing expenditure by the Company on legal fees and experts' costs for which provision has been made as at 30 June 2014.

The Company did not make provision for any claim amount as at 30 June 2014 on the basis that uncertainties prevent a reliable estimate from being made as to the potential financial impact for the Company. This remains the case, given the uncertainty of the Applicant's claim amount and the apportionment of responsibility amongst the numerous cross-defendants and other nominated parties. The Company will continue to assess the matter as further information becomes available.

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