

ASX ANNOUNCEMENT



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18 May 2015

VILLA WORLD LIMITED ABN 38 117 546 326 ASX CODE: VLW

FY15 Guidance, Final Dividend and Silverstone Litigation

Sales and Step Change in Delivery Capability

On 22 April 2015, the Company announced that sales momentum had strengthened in 3Q15, with the average sales rate lifting from 58.7 sales per month in 1H15, to an average of 82 sales per month in the 3Q15.

The Company also confirmed that the delivery of completed inventory continued to be a priority.

The Company is pleased to announce that several stages of land and town house developments have been completed, and successfully registered ahead of schedule, in 4Q15. With this step change in our delivery capability, the Company is now able to recognise these increased sales as revenue.

Silverstone Litigation

The Company has also progressed the Silverstone litigation (initially announced on 26 September 2013). The Silverstone litigation relates to alleged defects at a residential building located in Tweed Heads, NSW. The building comprises 27 units and was completed in 2009. A Villa World subsidiary, Villa World Developments Pty Ltd (VWD), was the registered builder. VWD engaged independent subcontractors to carry out construction.

Recent developments in the Silverstone litigation now enable the directors to make a reliable estimate of the financial impact. The Company will be making a provision as at 30 June 2015 of approximately \$6.5 million (subject to audit) for its proportion of the potential claim against it by the Silverstone owners corporation and unit owners. This is in addition to the provision for legal fees and experts costs which were booked in FY14. The methodology used to calculate the provision has been discussed with the Company's auditors. The Silverstone litigation had previously been noted as a contingent liability in the Company's financial statements for FY12, FY13 and FY14.

Guidance

Factoring in the one-off \$6.5 million provision for the Silverstone litigation, the Company is now targeting net profit before tax for FY15 of \$26-\$28 million.

Villa World Chief Executive Officer Craig Treasure said, "We are pleased that the continuing growth in the operating performance of the business has allowed us to deliver a strong result, whilst being able to make provision for the one-off legacy issue of Silverstone."

Sales have remained strong in 4Q15, with Queensland projects performing very well, and all projects released in FY15 exceeding forecasts. The Company will achieve in excess of 800 sales in FY15. The Company is very well positioned for continued growth in its operating performance in FY16. In excess of 280 sales contracts will be carried forward into FY16, and the Company continues to target 1,000 – 1,200 sales in FY16, assuming current market conditions continue.

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Mr. Treasure said, “In the past 18 months there has been a step change in the business, along with strong market conditions, and we now have a portfolio that is positioned for sustainable long term growth and value creation for our shareholders.”

FY15 Dividend

The Company reaffirms that the final dividend is expected to be at least 9 cents per share, fully franked. This brings the dividend for the full year to at least 15 cents per share, in line with the FY14 dividend, and represents a full year dividend yield of ~ 6.6%.

It is the intention of the Board to continue the payment of dividends in accordance with the stated payout policy of 50% to 75% of NPAT, paid semi annually. The Board’s aim is to continue to pay fully franked dividends with steady growth through the business cycle.

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