

19 August 2015

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

Villa World Reports Financial Results for Year Ended 30 June 2015

- Statutory profit after tax of \$25.6 million (EPS: 25.6 cps) (FY14: \$19.1 million; EPS 21.8 cps)
- Profit before tax of \$29.4 million (exceeds guidance of May 2015)
- 10.0 cps fully franked final dividend declared post balance date; full year dividends of 16.0 cps (FY14: 15.0 cps)
- 364 sale contracts carried forward into FY16 with a gross value of \$134.1 million¹
- FY16 guidance of profit before tax of \$40.5 million, weighted towards second half

Financial Result

Villa World Limited (ASX:VLW) has finished the 2015 financial year with a strong full year result, reporting a statutory net profit after tax of \$25.6 million (25.6 cps), compared to a net profit after tax of \$19.1 million (21.8 cps) for the period ended 30 June 2014.

The Company has reported a profit before tax of \$29.4 million, exceeding guidance²

Included in FY15 reported profit result is a provision for legacy litigation issues of \$8.9 million (FY14: \$5.8 million), comprising a provision of \$2.4 million booked in 1H15 largely related to Thornleigh, and a \$6.5 million provision for Silverstone in 2H15, as announced on 18 May 2015.

Operational Performance

At an operational level, sales momentum continued in 2H15, and strong delivery of land and housing resulted in 816³ accounting settlements in FY15 (FY14: 721). As a result, revenue increased by 40% to \$321.6 million (FY14: \$229.5 million). The underlying⁴ gross margin was \$86.7 million or 27.0%, within the targeted range of 26% - 29% (FY14: \$62.7 million or 27.3%).

The Company delivered 840 lots of land, up 36% on the 618 lots delivered in FY14. Pleasingly, Villa World's housing operations have lifted production to deliver 654 homes across both Queensland and Victoria, up 54% on the 425 homes delivered in FY14.

¹Contracts are included on the basis of 100% for Company projects and 50% of Joint Venture projects. Represents gross sales price including GST.

²At the time of the May guidance the Company was progressing the Thornleigh litigation. A conservative assessment of a further provision was made at that time and included in the guidance. This further provision was not required.

³814 settlements of Company owned lots (FY14: 662), and the balance of 2 lots relating to Eynesbury (FY14: 59), which are reflected in Share of Joint Venture Profits.

⁴Underlying gross margin is exclusive of provision for litigation. Reported gross margin of \$77.8 million (24.2%).

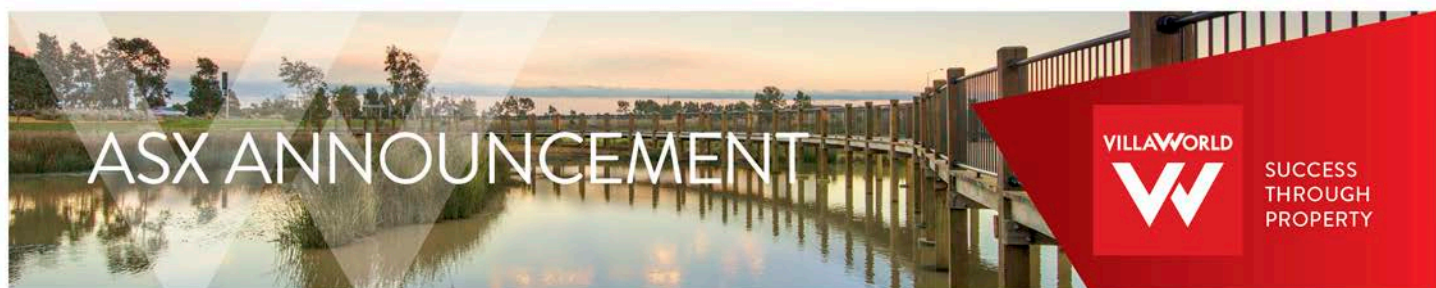
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Sales Performance

The Company recorded 843 sales during FY15 (FY14:829). Levels of completed inventory were replenished in 1H15, and sales rose from an average of 59 per month in 1H15, to 82 per month in 2H15. The eight projects released in FY15 experienced solid demand and contributed to the robust sales volumes in 2H15. Sales were heavily weighted to Queensland (81% of sales) due to the number of projects for sale and continuing supportive market conditions. Particularly strong performance was recorded from projects located in Brisbane's north and bayside.

The Company will carry forward 364 sales contracts worth \$134.1 million⁵ into FY16. Of these, 349 contracts (\$131.0 million) are anticipated to settle in 1H16 with the balance of 15 contracts (\$3.1 million) will settle in 2H16.

Cash Flow Performance

Strong operating cash flows, as well a capital raising in January 2015 enabled the Company to expend \$102.1 million on the acquisition of new land, whilst ending the year in a strong cash and debt position.

During the year, \$75.5 million in cash was generated from operating activities. The Placement and Share Purchase Plan raised \$31.7 million at \$1.90 per share. As at 30 June 2015 the Company has a portfolio of 5,191 lots, representing approximately 5 years of sales.

Balance Sheet

Net tangible assets at year end were \$220.6 million (FY14: \$180.2 million), representing \$2.00 per share (FY14: \$1.92) before the declaration of the final dividend. The Company continues to maintain a prudent gearing level at 16.9% compared to 24.8% as at 31 December 2014. Net debt as at 30 June 2015 was \$69.5 million.

Tax Position

Carried forward unused tax losses of \$19.3 million remain at 30 June 2015, all of which have been recognised. The franking account balance will be \$5.5 million post the payment of the final dividend.

FY15 Dividend

The Board is pleased to have declared a total of 16 cents in dividends in relation to the financial year ended 30 June 2015 - an interim dividend of 6.0 cents per share and a final dividend of 10.0 cents per share declared post balance date. The ex-dividend date for the final 10.0 cent dividend is 1 September 2015, the record date for this dividend is 3 September 2015, and payment scheduled for 30 September 2015.

⁵Contracts are included on the basis of 100% for Company projects and 50% of Joint Venture projects. Represents gross sales price including GST.

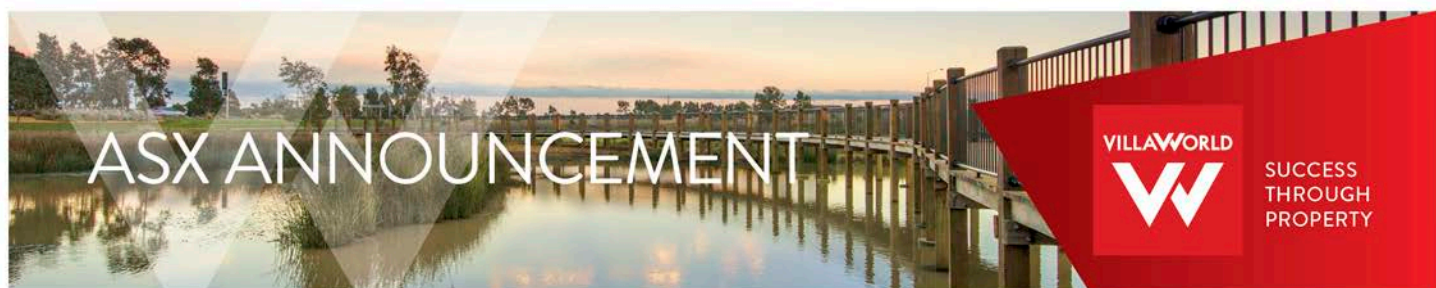
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Outlook

In FY16 the Company's delivery focus will remain on delivering and settling carried forward sales and releasing projects by mid year to meet projected demand. The Company reaffirms its sales target of 1,000 – 1,200 lots in FY16.

The Company has a continued commitment and capacity to acquire land. The focus will remain on the continued replenishment of the portfolio in South East Queensland, the South Eastern and Northern growth corridors of Melbourne, and infill sites in both Brisbane and Melbourne. Projects with 3 to 5 year durations will be targeted, as well as appropriately structured larger projects.

FY16 Guidance

Assuming general consumer confidence is maintained, interest rates remain low and first home buyer grants remain in place, the Company is targeting statutory profit before tax of \$40.5 million in FY16. With the Company returning to an effective tax rate of 30%, the Company is targeting a strong profit after tax of \$28.35 million.

This strong result is underpinned by strong carried forward sales, continued sales momentum, particularly in Queensland, and an increased delivery capability. Seven new projects will be released mid year, consequently profit and sales will be weighted to the second half.

CEO and Managing Director Mr Treasure said, "Villa World has delivered year-on-year increases across our key performance areas. Current positive market conditions, and an increase in our delivery capability position Villa World for sustained long term performance and value creation for our shareholders."

FY16 Dividend Guidance

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 anticipates paying a dividend of at least 16 cents per share in FY16.

FY15 Financial Results live audio stream

Villa World's FY15 results presentation will be webcast via www.openbriefing.com/OB/1887.aspx on Wednesday 19 August at 9.30 am AEST.

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