

One of the Company's core values is "Integrity – Our people are accountable, make ethical decisions and are socially responsible". Consistent with this, the Board is committed to good corporate governance as an essential foundation of the Company's performance and sustainability.

The Company has assessed its governance practices against the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations 3rd Edition' (Recommendations), which set out recommended governance practices which are likely to achieve good governance outcomes for ASX listed entities in most situations. The Recommendations are not mandatory, and where the Company has not adopted a recommendation, this Statement will explain why.

This Statement is current as at 30 June 2015, and has been approved by the Board. During the reporting period, the Company has initiated and achieved significant governance outcomes including:

- Changes to the composition of the Board, with 3 of the 4 directors (including the Chair) independent.
- Changes to the composition of the Audit and Risk Committee, with all 3 members being independent directors.
- Establishment of a Remuneration and Nomination Committee.
- Detailed review of risk management framework.

Copies of the Company's key governance documents are available in the Corporate Governance section of its website at www.villaworld.com.au (the Company's website).

1 Lay solid foundations for management and oversight

1.1 Role of the Board

The Board is committed to creating shareholder value within a framework that protects the rights and interests of shareholders and ensures that the Company is being properly managed.

The Board's role and responsibilities, its relationship with management, and the key responsibilities of the Board are set out in the Board Charter, along with delegations to senior management and certain Committees. The Board Charter specifies the matters expressly reserved to the Board, which include approving strategy, adopting an annual budget, monitoring financial controls, governance, work health and safety and overall risk management, establishing Committees and appointing, removing and reviewing the performance of the MD/CEO, Chief Operating Officer, Chief Financial Officer and Company Secretary.

There is a clear division between the responsibility of the Board and management. The Board has delegated responsibility for day-to-day management of the Company's business to the MD/CEO and senior management, who are required to work within authority limits and delegations.

The position description and key performance indicators (KPIs) of the Company Secretary are structured to ensure accountability directly to the Board in relation to the proper functioning of the Board and its Committees, and compliance with the governance policies and procedures.

The Board Charter is available in the Corporate Governance section of the Company's website.

1.2 Appointment of directors and senior management

For all appointments of directors or senior management, procedures are in place for carrying out appropriate searches and enquiries including bankruptcy and criminal history checks.

The Company has formal Appointment Letters with each non-executive director, and has formal Employment Agreements with each executive director and member of senior management, setting out all relevant terms of the appointment or employment.

For any director who is to be elected or re-elected in general meeting, the Company provides shareholders with relevant material (which accompanies the notice of meeting) in order to decide on the election or re-election, including qualifications, skills, experience, any adverse information revealed by the Company's checks and any material interests or positions held by the candidate. The Company also advises shareholders as to whether the candidate is considered to be an independent director, and whether the Board supports the election or re-election of the candidate.

New directors are briefed on the Company's operations and all significant issues relevant to the performance of their role, by the MD/CEO, CFO and other members of senior management.

1.3 Committees

The Company has established the following specialist Committees:

- Audit and Risk Committee
- Debt Compliance Committee
- Work Health and Safety Committee
- Remuneration and Nomination Committee

The charters for each of those Committees, other than the Work Health and Safety Committee, are available in the Corporate Governance section of the Company's website. The Directors' Report sets out details of the directors' attendance at meetings of the Board, Audit and Risk Committee and Remuneration and Nomination Committee during the reporting period.

1.4 Diversity

The Board believes that a diverse and inclusive workforce at all levels of the organisation makes good business sense, and the Board is committed to fostering a corporate culture that embraces diversity.

The Company's Diversity Policy is available in the Corporate Governance section of the Company's website. The Board is required to establish measurable objectives for diversity across the Company's workforce and assess progress against those objectives. In developing these objectives, the initial emphasis has been on gender diversity and seeking to strengthen the representation of women in senior managerial positions.

The Company's measurable objectives for diversity are summarised below.

Strategic Goal	Measurable Objectives	Outcome as at 30 June 2015
Diverse talent pool	Increase the number of females hired in those areas within where current female representation is < 35% by actively seeking female applicants for the role and at least one female on the recruitment short list where possible.	Procedures have been implemented and will continue to be monitored
Leadership development	Equal representation of males and females receiving opportunities for development training	All staff are offered equal opportunity for further development and training as and when required
Attraction and retention	Target no less than 40% female representation at senior management level	Procedures have been implemented and will continue to move towards this target
Annual gender audit	Undertake an annual gender audit to identify any career or development hurdles/blocks, and consider changes required to overcome hurdles	Completed and no internal process issues were noted. This will continue to be monitored.

Female participation in the Company's workforce

There are currently no women on the Company's Board.

Current gender balance across the Company's workforce is as follows:

	Female	Male
Senior executives (namely MD/CEO, CFO)	50%	50%
Senior managers	22%	78%
All employees	47%	53%

1.5 Evaluation of Board and Committees

The Board reviews its performance on an annual basis. The review process is agreed by the Board and conducted using a questionnaire, with a written report summarising the results and recommendations presented to the Board and discussed at a Board meeting. A review of the Board's performance for the reporting period has been undertaken in accordance with this process, and the results of the evaluation will be considered by the Board during 1H16.

The Board does not review the performance of individual directors or Committees on an annual basis. Rather, the Board, mindful of its duties, considers it appropriate to monitor their performance on an ongoing basis, and conduct a formal review as necessary. In these respects, there is a departure from Recommendation 1.6.

1.6 Evaluation of Senior Executives

The Company has established a formal "My Success Plan" process for all staff, including senior executives (namely MD/CEO, and CFO). Under the My Success Plan, KPIs are determined at the commencement of each financial year taking into account the Operational Plans for the Company's business units and input from the Board. Performance evaluations take place throughout each year.

The MD/CEO reviews the performance of each senior executive and other senior managers, and reports to the Board on the outcome of those reviews. The performance of the MD/CEO is reviewed by the non-executive directors.

Performance evaluations of all senior executives were undertaken during the year in accordance with the above processes.

2 Structure the Board to add value

2.1 Composition of the Board

The names of the directors who held office during the year are detailed in the Directors' Report, together with details of each director's length of service, skills, experience and expertise and whether the director is considered to be independent. Changes in Board membership are also set out in the Directors' Report.

During the reporting period, the Company did not have a board skills matrix, which is a departure from Recommendation 2.2. The Board considered that, given its size, it was able to identify and address any gaps in skills without such a matrix.

2.2 Director Independence

The Board recognises that independent directors are important in assuring shareholders that the Board is able to act in the best interests of the Company, and independently of management. The Board Charter sets out the Board's definition of an independent director. In summary, it is a non-executive director who does not hold more than 10% of the Company's securities (and who is not associated with any such shareholder), is not (and is not associated with) a material service provider or supplier, and is free of any business or other relationship that could interfere with their ability to act in the best interests of security holders.

The independence of directors is reviewed annually. In assessing the independent status of a non-executive director, the Board considers the matters set out in Recommendation 2.3 which might cause doubts about independence, and other facts, information and circumstances that the Board considers relevant.

From 1 July 2014, the Board was comprised of one independent director (Mark Jewell), one non-executive director (Alexander Beard) and one executive director (Craig Treasure). Alexander Beard was not considered independent as he was associated with CVC Limited, which at that time held more than 10% of the Company's securities.

During the reporting period, two independent directors were appointed: David Rennick on 1 September 2014 and Gerry Lambert on 22 January 2015. With Alexander Beard resigning on 2 September 2014, the Board has been comprised of a majority of independent directors since that time.

From 1 July 2014 to 2 September 2014, there was a departure from Recommendation 2.4 in that a majority of the Board were not independent directors. However, there was a majority of non-executive directors and the Board considers that its decisions during that period reflected the best interests of the Company and were not biased towards management or any particular shareholder.

For the whole of the year, Mark Jewell was the independent Chair of the Board and there was a separation of the roles of Chair and MD/CEO.

2.3 Remuneration and Nomination Committee

The Board established a Remuneration and Nomination Committee on 5 February 2015, comprised of three independent directors including an independent director as Chair. The Remuneration and Nomination Committee Charter is available in the Corporate Governance section of the Company's website. Membership of the Committee, details of the Committee's meetings and attendance of the members at those meetings are set out in the Directors' Report.

Prior to the establishment of the Committee, the Board considered that given its size, the Board was able to deal with succession planning and composition of the Board.

3 Act ethically and responsibly

3.1 Company values

The Company is committed to establishing and maintaining a culture and reputation for acting fairly and ethically. The Company has adopted certain core values, including the following which demonstrate this:

Integrity – Our people are accountable, make ethical decisions and are socially responsible.

Unity – We are a team – we care for and empower our people, support each other and recognise achievements.

Respect – We value and appreciate our people, partners and customers.

3.2 Code of conduct

The Company has adopted a Directors Code of Conduct and an Employee Code of Conduct. The Directors Code of Conduct is available in the Corporate Governance section of the Company's website. The Employee Code of Conduct is currently under review and will be available on the Corporate Governance section of the Company's website during 1H16.

The Codes of Conduct are part of a broad framework of other corporate policies, which apply to directors, employees and those working on the behalf of the Company. These policies set out the parameters for ethical behaviour and business practices expected of those engaging in activity on the Company's behalf. They detail standards and expectations relating to:

- stakeholders and maintaining high standards of service and a commitment to fair value;
- the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- conflicts of interest and prevention of employees taking advantage of property, information or position for personal gain; and
- reporting of unethical behaviour.

3.3 Trading in Company shares

Directors and employees are allowed to acquire shares in the Company if they comply with the provisions of the Securities Dealing Policy.

The policy summarises the insider trading provisions contained in the Corporations Act to be considered at any time a director or employee is considering trading in Company shares. In addition, the policy provides for designated trading windows, requirements for pre-clearance at certain times, exclusions on other types of dealings (including short-term trading), and an obligation on directors and employees to disclose all trades in the Company's shares.

The Securities Dealing Policy is available in the Corporate Governance section of the Company's website.

4 Safeguard integrity in corporate reporting

4.1 Audit and Risk Committee

The Board has established an Audit and Risk Committee to review and make recommendations on corporate reporting and audit matters. The Audit and Risk Committee Charter is available in the Corporate Governance section of the Company's website. Membership of the Audit and Risk Committee (including relevant qualifications and experience of members), and changes which occurred during the financial year, are set out in the Directors' Report.

From 1 July 2015 until 22 January 2015, there was a departure from Recommendation 4.1 which recommends that an audit committee:

- have at least 3 members (there were only 2 members until the appointment of David Rennick as a member of the Committee on 1 September 2014).
- all of whom are non-executive directors (Gerry Lambert was a non-executive member from 1 July 2014, but was not a director until 22 January 2015).
- a majority of whom are independent directors (this was achieved on the appointment of David Rennick as a member of the Committee on 1 September 2014).
- is chaired by an independent director (Gerry Lambert was independent Chair, but was not a director until 22 January 2015).

For the period during which there was a departure from Recommendation 4.1, the Board considered that given the nature, scale and complexity of the Company's operations, and the independence and qualifications of Mark Jewell, Gerry Lambert and David Rennick, the membership of the Audit and Risk Committee was sufficient to exercise independent judgement in relation to the Company's corporate reporting processes and to discharge the Committee's role according to its Charter.

Details of the Committee's meetings and attendance of the members at those meetings are set out in the Directors' Report.

4.2 CEO and CFO declarations

Prior to approving the Company's financial statements, the Board requires declarations from the MD/CEO and CFO to the effect that (amongst other things) the Company's financial records have been properly maintained, the financial statements give a true and fair view of the Company's position, and that opinion is based on a sound system of risk management and internal control. These declarations are presented to the Board at or prior to the Board meeting at which the financial statements are considered for approval.

4.3 External Auditor

The Audit and Risk Committee meets with the external auditor at least once each year to review the adequacy of external audit arrangements. The external auditor has a direct line of communication at any time to either the Chairman of the Audit and Risk Committee or the Chairman of the Board.

If requested by the external auditor, the non-executive directors shall meet with the external auditor in the absence of management to discuss potential issues associated with management controls, the preparation and audit of the financial reports and the performance of management in relation to such issues.

The auditor attends and is available to answer questions at the Company's AGM.

5 Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy designed to ensure compliance with Listing Rule 3.1. The Policy was reviewed and updated during the reporting period. As a result, shareholders and the market are provided with material information in a timely manner.

It is the Company's policy that any price-sensitive material for public announcement will be reviewed before issue by the MD/CEO, CFO and General Counsel and approved by the Board, will be expressed in a clear and objective manner, and lodged with the ASX in accordance with the relevant requirements. Announcements are also published on the Company's website.

The Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website.

6 Respect the rights of security holders

The Company is committed to keeping shareholders fully informed of its significant activities and governance.

Information is communicated to shareholders through the annual report, half-yearly report, announcements made to the ASX, the AGM and the Company's website.

The Company's website has a Corporate Information section, which has been reviewed and updated during the reporting period. It includes links to directors and senior management, governance documents, annual reports, dividend information, shareholder calendar and ASX announcements.

Shareholders are encouraged to attend the AGM, and are provided with adequate opportunity at the AGM to raise questions or items of general business. The Company has a dedicated email address for shareholders to raise queries or concerns, and the Company promptly responds to any issues raised by shareholders from time to time.

The Company publishes an Investor Insight brochure periodically during each year, and regularly meets with institutional investors and analysts.

There is a departure from Recommendation 6.3, in that the Company does not have formal policies and processes to encourage participation at meetings of shareholders. Given the relatively small number of shareholders, the Company does not presently consider it necessary to implement processes such as webcasting or multiple venues for general meetings.

The Company has provided shareholders with the option to receive and return documents from and to the Company and its share registry by electronic means, including by email and online.

7 Recognise and manage risk

The Audit and Risk Committee oversees the Company's risk management framework. The Audit and Risk Committee Charter is available in the Corporate Governance section of the Company's website.

The members of the Audit and Risk Committee, and changes to membership during the financial year, are set out in section 4.1 of this Statement.

From 1 July 2014 until 22 January 2014, there was a departure from Recommendation 7.1 which recommends that a risk committee:

- have at least 3 members (there were only 2 until the appointment of David Rennick as a member of the Committee on 1 September 2014).
- a majority of whom are independent directors (this was achieved on the appointment of David Rennick as a member of the Committee on 1 September 2014).
- is chaired by an independent director (Gerry Lambert was independent Chair, but was not a director until 22 January 2015).

For the period during which there was a departure from Recommendation 7.1, the Board considered that given the nature, scale and complexity of the Company's operations, and the independence and qualifications of Mark Jewell, Gerry Lambert and David Rennick, the membership of the Audit and Risk Committee was sufficient to exercise independent judgement in relation to the Company's risk management framework and to discharge the Committee's role according to its Charter.

Details of the Committee's meetings and attendance of the members at those meetings are set out in the Directors' Report.

The Company does not have a formal internal audit function. Risk management and internal control processes are monitored by the Audit and Risk Committee, the Debt Compliance Committee, the Work Health and Safety Committee and the Board.

The Company does not consider that it has any material exposure to economic, environmental or sustainability risks. Those risks are managed such that there is no real possibility that they could substantively impact the Company's ability to create or preserve shareholder value.

The Company's overall internal control framework incorporates policies and procedures that can be described under the following headings:

7.1 Financial reporting

Comprehensive budgeting process is undertaken with an annual budget approved by the Board, monthly reporting against this budget together with an ongoing review of forecasts and reporting on key metrics and variables.

7.2 Financial reporting - MD/CEO and CFO certifications

- The Board has received declarations from the MD/CEO and CFO in connection with the financial statements for the Group for the year ended 30 June 2015. It has also received assurances from the MD/CEO and CFO that their declarations (provided in accordance with section 295A of the Corporations Act) as to the integrity of the financial statements are founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.
- Senior Management has also reported to the Board on the effectiveness of the management of material business risks for the year ended 30 June 2015.

7.3 Investment appraisal and financial performance monitoring

- Board defined guidelines for capital expenditure, with detailed appraisal and review procedures, defined delegated authority limits, including Board approval requirements for non-operational expenditure.
- Quarterly project review with key executives, including the CFO, State Managers and senior Development Managers, to monitor performance and key forecast assumptions and risks at an individual project level, and report changes in key assumptions of a material nature as part of monthly financial reporting to the Board.

7.4 Financing Compliance

- A Debt Compliance Committee comprising the General Counsel, CFO and other managers oversees the compliance reporting systems relating to the Company's debt facility. The Committee meets quarterly, with any risk areas reported to the Board.

7.5 Corporate responsibility, environment, and work health and safety

- A Work Health & Safety Committee, comprising representatives from a number of operational divisions within the Company, monitors compliance with work health and safety regulations across its operations. The Committee meets quarterly, with any risk areas reported to the Board.
- The Company's Environmental Management Policy is overseen by State Managers, with regular reporting to the Board in relation to compliance with environmental regulations.

During 2H15, the Audit and Risk Committee has undertaken a detailed review of the Company's risk management framework. The Company has engaged specialist external consultants, who have conducted workshops and interviews with directors and senior management. The Committee is satisfied that the Company's risk management framework is sound.

The review will result in the preparation of a formal Risk Register and Risk Management Framework, which are expected to be finalised in 1H16. Action plans will be implemented for any additional risk controls that are identified as a result of this process.

8 Remunerate fairly and responsibly

The Board established a Remuneration and Nomination Committee on 5 February 2015, details of which are provided in section 2.3 of this Statement.

Prior to the establishment of the Committee, the Board considered that given its size, the Board was able to deal with the Company's remuneration framework and policies.

The processes for setting the level and composition of remuneration for directors and senior executives are set out in the Remuneration Report which forms part of the Directors' Report.

Non-executive directors are not granted equity, nor are they entitled to receive bonus payments. Non-executive directors are not entitled to receive termination payments on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration. There are also no retirement benefit plans available to non-executive directors.

The Company has an Option Plan which has been approved by shareholders. The Option Plan includes a prohibition on participants entering into any arrangement to hedge their economic risk of participating in the Option Plan.