

ASX ANNOUNCEMENT



12 August 2016

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

Silverstone litigation

The Company wishes to comment on recent media coverage of this matter, including a story which appeared on Channel 9's A Current Affair (ACA) program on the night of 11 August 2016. Please see the attached statement provided to Channel 9 prior to the story being shown.

This litigation concerns issues at a residential building known as Silverstone, Tweed Heads, NSW. The owners are not seeking orders for the Company to carry out rectification works, but are seeking monetary damages for estimated rectification costs against several respondents including the Company. Refer to previous ASX announcements on 26 September 2013, 20 October 2014 and 18 May 2015.

The Company has made adequate provision for this matter in its financial statements, based on a reliable estimate assessed by the Board as at the end of each reporting period.

The Company rejects assertions in the ACA story that it has taken no previous action in this matter.

Prior to the owners commencing the litigation in late 2013, the Company had been attempting to resolve this matter without the need for legal proceedings. Whilst the issues were being investigated by technical experts, the Company kept a site office and staff at the building and undertook remedial action to address any concerns being raised by owners.

By letter from their lawyers in November 2013, the owners instructed the Company not to attend the premises to conduct maintenance or any other works. The Company notes that on 19 July 2016, one of the owners obtained an order from NSW Civil and Administrative Tribunal against the Owners Corporation to repair the common property in accordance with its statutory obligations to do so.

The Company has fairly and diligently conducted its part in the proceedings, and has not caused any delays in the proceedings being brought to trial for final determination. The Company does not consider it appropriate to comment in any detail on the complex matters which are in dispute before the Court. As referred to in the ACA statement, a further mediation is scheduled for 23-24 August 2016 and the matter is currently listed for trial from 5-28 October 2016.

The Company will continue to take all appropriate steps in the proceedings to protect the interests of the Company and its shareholders. The Company has proactively pursued a commercial resolution being reached between all parties, and remains hopeful that the proceedings can be resolved with all parties on reasonable terms prior to the trial.

The Company will provide any further updates in accordance with its continuous disclosure obligations.

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10 August 2016

Statement to "A Current Affair" - Silverstone Building

These legal proceedings were commenced by the owners in late 2013. Villa World is only one of six respondents in the proceedings. The owners are suing not just Villa World, but also several other parties, including the suppliers of the walling system which is alleged to be defective and the structural engineers for the building. Villa World is also suing those parties, upon whom it relied in the construction of the building.

Independent experts for all parties have been unable to reach a consensus on the issues in dispute. There are very different expert opinions on the scope and costs of the necessary rectification works, including three alternative methods proposed by the owners' expert, none of which involve the building being knocked down.

Legal proceedings of this nature are complex and lengthy. Villa World has always been, and remains, proactive in trying to resolve the proceedings on reasonable terms but agreement between all parties hasn't been possible to date.

It is a matter of public record that these proceedings have been listed for trial from 5-28 October 2016, and that a further mediation is to be held on 23-24 August 2016. Villa World will actively participate in the upcoming mediation and is hopeful that a resolution can be agreed by all parties ahead of the trial.

We do not consider that it is appropriate for us to comment any further on the matters in dispute before the Court.

Yours sincerely



Brad Scale
General Counsel