



# ANNUAL FINANCIAL REPORT

30 June 2013



## SHAREHOLDERS' INFORMATION

### VILLA WORLD LIMITED

Villa World Limited ABN 38 117 546 326

Level 1 Oracle West, 19 Elizabeth Avenue, Broadbeach QLD 4218

Mailing address: PO Box 1899, Broadbeach QLD 4218

Telephone: +61 7 5588 8888

Facsimile: +61 7 5588 8800

Website: [www.villaworld.com.au](http://www.villaworld.com.au)

Email: [info@villaworld.com.au](mailto:info@villaworld.com.au)

#### Shareholder information and enquiries

All enquiries and correspondence regarding shareholdings should be directed to Villa World Group's share registry provider:

#### Computershare Investor Services Pty Limited

Mailing address: GPO Box 2975EE, Melbourne VIC 3000

Telephone: 1300 580 505 or +61 3 9415 4000 (outside Australia)

Fax: +61 3 9473 2500 (within & outside Australia)

Website: [www.computershare.com.au](http://www.computershare.com.au)

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

#### Villa World Group Info line

Inside Australia: 1300 552 434

Outside Australia: +61 7 5588 8851



## CONTENTS

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW .....	2
DIRECTOR'S REPORT .....	4
CORPORATE GOVERNANCE STATEMENT .....	13
CONSOLIDATED INCOME STATEMENT .....	18
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	19
CONSOLIDATED BALANCE SHEET .....	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	21
CONSOLIDATED CASH FLOW STATEMENT .....	22
CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS .....	23
DIRECTOR'S DECLARATION .....	54
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VILLA WORLD LIMITED .....	55
ASX ADDITIONAL INFORMATION .....	57

## Executive Chairman and Managing Director's Review

Villa World is an ASX listed Australian property development group. Established in 1986, Villa World creates contemporary family homes, and also develops and markets land in communities along Australia's east coast.

### The Villa World Difference

This year has seen the successful implementation of five key strategies which drive our business direction and underpin *The Villa World Difference* – a solid financial platform, broad diverse sales platforms, project pipeline growth, portfolio diversification, and strong governance and leadership.

### Solid financial platform for unlocking shareholder value

The strength of the Villa World Group was demonstrated by our solid underlying financial performance in FY13.

The statutory financial result for the year was a net loss after tax of \$13.5 million, compared to a net profit after tax of \$8.2 million for the prior year. The results included net impairments of \$25.6 million, principally from the Eynesbury Township joint venture in Victoria (\$15.4 million) and Augustus, Hervey Bay (\$8.9 million). Unless there are significant changes in market conditions and associated development strategies, no further impairments are anticipated. As reported in the 1H13 interim financial statements, a review of the strategies associated with a number of projects resulted in impairments being required. Full details of these impairments are outlined in the Directors' Report and FY13 Financial Statements.

Underlying operating profit<sup>1</sup> (before tax and impairments) was \$11.2 million, a 17.0% increase from \$9.6 million for the previous corresponding period and the third successive year of growth. There was a 10.4% increase in accounting settlements to 646 achieved through the carry forward of 251 contracts from FY12 combined with a strong FY13 sales performance.

Our new sales strategy has contributed to a significant growth in revenue to \$169.4 million, a 15.6% increase compared with the prior year, as well as providing a strong start to the FY14 year with \$80.8 million of carried forward sales (compared to \$57.7 million at 30 June 2012). We currently have 12 active projects, with two projects recently purchased, due to commence in 1H14.

During the year, an extension was negotiated with ANZ to the primary banking facility of \$110 million, due to expire on 1 September 2014. This facility has been extended for a further two year period and now expires on 1 September 2016.

The financial results for 2013 were achieved while maintaining a disciplined and conservative approach to debt management, with a year-end gearing ratio of 24.7%, compared with 27.6% for the previous year. Our strong financial position means Villa World is well placed to continue with the implementation of our comprehensive acquisition strategy.

### Share buy-back

During the year, we continued with our on-market share buy-back program, buying back 1.7 million shares at a cost of \$1.5 million. Since the start of the share buy-back in July 2011, 11.8 million shares have been bought back, reducing issued capital by 13.9%.

---

<sup>1</sup> Underlying operating profit before tax (unaudited) reflects the statutory profit as adjusted in order to present a figure which represents the Director's assessment of the results for the ongoing business activities of the Villa World Group.

## Dividends

No interim dividend was paid and the Board has determined not to pay a final dividend for 2013.

### Broad diverse sales platforms

We have diversified our sales strategy by increasing Villa World's presence in the domestic investment market and the first home buyer market, as well as taking advantage of the strength of foreign investor interest in Australia. We continued to review our pricing and product design to meet the specific needs of individual market segments. While still in the early stages of implementation, this strategy has proven to be successful. Total contracts exchanged (net sales) of 610 were recorded in 2013 compared to 496 in the prior year, a 23% increase. Queensland remained the key market with 525 sales, a 36% increase; followed by Victoria with 78 sales and New South Wales achieving 7 sales with the recent release of *First Light (Tweed Coast)*.

### South East Queensland

The *Park Vista* (North Brisbane) and *Mount Cotton* (Bayside Brisbane) developments have achieved consistent, positive sales results throughout the year. These developments contributed 32.2% of total revenue.

New developments at *Bay Road* (Burrumbidgee) and *Brookside* (Ormeau) have contributed positively to sales this year. Also contributing to the overall strong sales performance was a resurgence in buyer interest in *The Domain* and *Augustus* developments (Hervey Bay) in 2H13 due to the new Queensland and Federal Government home buying incentives implemented at the beginning of this calendar year.

*Sales at Little Creek development in Gladstone were subdued in FY13, as the Gladstone market reacted to a slowdown in the broader resource sector. Although Little Creek contributed strongly to revenue in the year, this was mostly due to carried forward sales from FY12.*

### Victoria

While sales in Victoria were strengthened in 2H13 by the *Cascades on Clyde* development (South East Melbourne), the western region of Melbourne where our Eynesbury Township project is located remained a challenging market. In FY14 we will grow the business in Victoria, by commencing building operations and offering our own house and land packages in addition to our land product.

### Growing our project pipeline

Since 1 July 2012, two acquisitions have been made at Thornlands (Bayside Brisbane, Qld) and Casuarina (Tweed Coast, NSW), and one at Carindale (East Brisbane, Qld), is unconditional with completion imminent, adding 215 lots to the Villa World land bank.

We will continue to grow our pipeline of inventory through our program of strategic acquisitions, with a number of transactions currently under consideration. Further expected acquisitions will ensure our portfolio remains well diversified and that our product offering will appeal to the downturn-resilient owner-occupier families and first home buyers as well as appealing to both the domestic and international investor market.

Our strong financial position will enable us to continue to acquire projects in a targeted and balanced manner. Regions of interest include south east Queensland, Townsville, Melbourne and Sydney. Short to medium-term projects, as demonstrated by recent acquisitions, as well as long-term projects funded through joint ventures, vendor terms and alternative acquisition

arrangements will be considered, with a view to ensuring capital efficiency and maximising returns to shareholders.

Villa World has minimal project-based risk with all developments having achieved the necessary planning use approvals and no foreseeable issues restricting our ability to produce the land, and house and land product in each of our developments.

We are pleased that the sale of the Eynesbury project for \$60m is now unconditional, as recently announced to the ASX. Villa World holds a 50% interest in the Eynesbury joint venture. The sale will allow us to re-deploy resources towards short and medium-term projects consistent with our acquisition strategy.

### **Outlook**

There are indications that confidence is gradually returning to the residential property sector. There is currently improved buyer interest on a weekly basis at most of our projects. Record low mortgage rates are currently available to home buyers, together with government housing grants. These conditions combined with unemployment levels remaining low and annual wages rising, support improved affordability for home buyers.

Improved confidence in the residential property sector and the success of the new sales and marketing strategy have contributed to the significantly higher number of sales in the second half of FY13 (average of 59 per month) compared to the first half (average of 42 per month). We have carried forward \$80.8 million sales (217 lots) into the 2014 financial year. The positive sales momentum evidenced in the second half of FY13 is continuing, with 115 sales (\$44.2 million) recorded over the first eight weeks of FY14.

Assuming the positive momentum in general economic and company specific conditions continues, Villa World is targeting an operating profit before tax in the range of \$12 million to \$14 million for FY14, and it is the current intention of the Board to recommence dividends, with an interim dividend expected to be paid in April 2014.

### **Talented team supported by strong governance and leadership**

Villa World's successes are due to the hard work of our executive team and staff. I would like to take this opportunity to sincerely thank them for their dedication and their role in Villa World's achievements in 2013.

Finally, I wish to thank shareholders for their continued support during the year.

I look forward to working with the Villa World team to achieve the goals we have set in our business strategies and demonstrate the *Villa World Difference* to customers and investors.



Craig Treasure  
Executive Chairman and Managing Director

## Directors' report

The Directors of Villa World Limited present their report together with the financial report for the year ended 30 June 2013.

Villa World Group ("the Group") comprises Villa World Limited and its subsidiaries and the Group's interest in associates and jointly controlled entities.

### Directors

The Directors of Villa World Limited during the year, and up to the date of this report were:

**Craig Treasure** BAsc (Surveying) (QUT), FDIA  
**Managing Director since 5 October 2012**  
**Chairman from 1 August 2012**

**Non-Executive Director February 2012 to July 2012**

Craig Treasure has over 28 years' experience in property development, specifically in land, housing and apartment development along the eastern seaboard of Australia. Craig has previously held a number of executive roles and directorships within the property sector.

#### Board Committee Membership

- Member of the Audit and Risk Committee from February – September 2012.

**Alexander (Sandy) Beard** BCom (UNSW), FCA, MAICD  
**Non-Executive Director (Chairman November 2011 – July 2012)**

Alexander Beard is the Managing Director of CVC Limited and an experienced financier of growth companies. CVC has been an active participant in the property sector, undertaking investments ranging from real estate development to passive financing positions. Alexander has gained considerable industry experience through his investee board roles.

#### Other directorships (current and recent)

Alexander is currently an executive director of CVC Limited (since 2000), director of CVC Property Managers Limited as Responsible Entity for CVC Property Fund (since 2005), non-executive Chair of Cellnet Limited (since 2006), and a director of Mnemon Group Limited. In the past three years Alexander has also served as a director of Amadeus Energy Limited.

#### Board Committee membership

- Member of the Audit and Risk Committee
- Appointed non-executive director in April 2011 and Chairman from November 2011 – July 2012.

**Troy Harry** BBus

**Independent Director since February 2009**

Troy Harry has been involved in stockbroking and investment management for 21 years. This included experience at several different stockbroking firms over 10 years before establishing his own business, Trojan Investment Management, in 2003. Troy is experienced in financial analysis and structuring and in advising and managing investment companies.

#### Other directorships (current and recent)

Troy currently holds no other public company directorships. In the past 3 years, Troy has served as Managing Director of Trojan Equity Limited (resigned 18 March 2013) and as a Director of DMX Corporation Limited (resigned 27 February 2013).

#### Board Committee memberships

- Chairman of the Audit & Risk Committee

### Company Secretary

**Paulene Henderson** B Bus Acc MBA CA

**Chief Financial Officer / Company Secretary**

Paulene has 25 years' experience within the accounting profession. This experience has been gained through working within the profession, most recently with Ernst and Young, as well as senior financial positions within RCI Pacific Pty Ltd and Wyndham Vacation Resorts South Pacific Ltd as RE for the Worldmark South Pacific Club, both entities being subsidiaries of Wyndham Worldwide (a Fortune 500 company listed on the New York Stock Exchange).

Appointed Company Secretary 19 November 2012.

**John Potter** was the Managing Director from the beginning of the financial year until his resignation on 5 October 2012.

**Richard Anderson** was an Independent Director from the beginning of the financial year until his resignation on 25 October 2012.

### Directors' interests

Directors' Interests	2013
Craig Treasure	700,000
Alexander Beard <sup>1</sup>	-
Troy Harry	1,100,000

<sup>1</sup>Alexander Beard is the Managing Director of CVC Limited which owns 17,593,604 (2012: 15,162,358 shares)

### Directors' meetings

The number of meetings of Villa World Group's Board of Directors and of each Board Committee held during the year ended 30 June 2013 including the number of meetings attended by each Director are:

	Board Meetings		Audit and Risk Management	
	H	A	H	A
Craig Treasure	14	14	2	2
Alexander Beard	14	14	3	3
Troy Harry	14	14	3	3

### Principal activities

During the year, the principal activities of the Group continued to be the development and sale of residential land, and the development, construction and sale of house and land packages.

### Review of results of operations

#### Key highlights for the financial year ended 30 June 2013

- Statutory Net Loss after Tax from operations of \$13.5 million (30 June 2012: \$8.2 million Net Profit after Tax).
- Full year result included impairments of \$25.6 million.
- Increase in underlying operating net profit before tax (unaudited)<sup>2</sup> of 17.0% to \$11.2 million (30 June 2012: \$9.6million).
- Increase in revenue from the sale of property of 15.6% to \$169.4 million (30 June 2012: \$146.5 million).

<sup>2</sup> Underlying operating profit before tax (unaudited) reflects the statutory profit as adjusted in order to present a figure which represents the Directors' assessment of the result for the ongoing business activities of the Villa World Group.

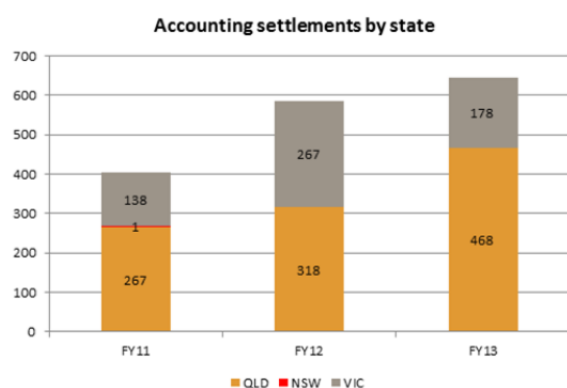
- Accounting settlements of 646 lots<sup>3</sup> (including our share of joint ventures) (30 June 2012: 585 lots).
- Earnings / (Loss) per share from continuing operations decreased to (-18.2) cps (30 June 2012: 10.4 cps).
- Group net sales of 610 lots, inclusive of proportional share of joint ventures (30 June 2012: 496 lots).
- A total of 217 contracts on hand at 30 June 2013 to carry forward for a gross value of \$80.8 million inclusive of proportional share of joint ventures.
- Gearing ratio<sup>4</sup> of 24.7% (30 June 2012: 27.6%).
- \$110 million debt facility extended a further two years to September 2016, drawn to \$71 million plus bank guarantees of \$9.7 million.
- NTA per share of \$1.85 (30 June 2012: \$2.01).

#### Operational Review

Revenue for the year ended 30 June 2013 grew by 15.6% to \$169.4 million. This was largely due to a 10.4% increase in accounting settlements to 646 lots (from 585 in the prior year). These settlements were achieved through the carry forward of 251 contracts from FY12 and a strong sales performance in the year ended 30 June 2013.

There were 11 Queensland projects and 2 Victorian projects contributing to profit in the year to 30 June 2013. Queensland benefited for the first time from *Brookside*, Ormeau and *Bay Road*, Burpengary, as well as the new revenue line of contract building.

Queensland remained the Group's key market, with sales increasing by 35% to 525. *Little Creek* (Gladstone) and *Mount Cotton* (Bayside, Brisbane) performed strongly throughout the year, whilst the contribution from *Park Vista* (North Brisbane) rose significantly in the second half of the year. *Cascades on Clyde* in Victoria was the third largest contributor to revenue in the 2013 financial year, predominantly from revenue in 1H13 as a result of FY12 sales carried forward.



The Group recorded 610 sales in the year ended 30 June 2013, up 23.0% on the prior period. 12 Queensland projects, 2 Victorian projects, and a newly acquired project in New South Wales contributed to this strength in sales.

In Queensland, *Park Vista* and *Mount Cotton* sold consistently throughout the year. Sales in Queensland also benefitted from contract building and new projects.

*Cascades on Clyde* recorded strengthening sales in 2H13 due to the success of sales initiatives targeting the international investor market.

Sales were stronger in the second half of FY13 (average of 59 per month) compared to the first half (average of 42 per month), resulting from newly released projects at Bay Road, Burpengary and Brookside, Ormeau. These projects were successfully marketed under a zero deposit campaign directed at the first home buyer market. *Augustus* in Hervey Bay also performed well in the second half due to the *Hervey Bay Housing Affordability Incentives Scheme*.

The Group will commence the 2014 financial year with 217 lots under contract worth \$80.8 million.

The sales and marketing expense for the year was \$12.7 million, a 51.0% increase compared to the prior year. This is due to new marketing campaigns for recent acquisitions at *First Light* (Casuarina) and *East Ridge* (Thorncroft), as well as the costs associated with pursuing our new investor sales and first home buyer initiatives. The balance of operating expenses from ordinary activities (after adjusting for impairments) was relatively static on prior year, at \$14.1 million or a 0.5% increase.

Loan and interest charges have reduced year on year by 27.5% as a result of a declining cost of debt from 8.5% to 7.7%, the maintenance of a lower net debt level during the current year, the write off of borrowing cost associated with the prior financing facility in the FY12 year, the changes in policy to capitalised line fee as well as an increase in the unwind of capitalised interest.

As at 30 June 2013, total assets of the Group were \$241 million (30 June 2012: \$261 million). The net tangible assets (NTA) of the Group at 30 June 2013 were \$1.85 per share based on 73,538,863 shares compared to \$2.01 based on 75,223,332 shares in the prior year.

#### Financial commentary for the financial year ended 30 June 2013

The financial result for the full year ended 30 June 2013 was a statutory net loss after tax of \$13.5 million (-18.2) cps, compared to a net profit after tax of \$8.2 million (10.4 cps) for the full year ended 30 June 2012. The result for the full year included impairments of \$25.6 million (revised down from \$29.2 million at 31 December 2012 as detailed below).

Weak current and forecast trading conditions at *Augustus*, Hervey Bay prompted a change in the long term strategy of the project, and resulted in a write down in inventory of \$8.9 million. The carrying values of three other projects were also impaired in the first half. No further impairments have been made since 31 December 2012, however, the successful contract renegotiations in relation to the Burpengary project has enabled the previous onerous contract provision to written back by \$1.4 million.

The Group's investment in the Eynesbury Township Joint Venture in Victoria has also been written down by \$15.4 million, a reduction of \$2.3 million from the \$17.7 million announced at 31 December 2012. The impairment is based on the net present value of the sale proceeds expected to be received by the Group from the sale of this asset.

The \$25.6 million in impairments whilst disappointing is necessary to provide an accurate reflection of the value of the Group's assets. All projects are reviewed on a semi-annual basis to assess recoverability. Inventory is held at the lower of cost and net realisable value. Conservative assumptions in project feasibilities are supported by regular external valuations. Unless there is a significant change in market conditions and associated development strategies, no further impairments are anticipated.

It is important to note that the underlying operating profit (before tax and impairments) was \$11.2 million, representing a 17.0% increase on the prior corresponding period of \$9.6 million. This is detailed in the table below:

<sup>3</sup> Lots are included on the basis of 100% for Villa World Limited projects and 50% of Joint Venture projects.

<sup>4</sup> Gearing Ratio: (Interest bearing liabilities – Cash) / (Total assets – Cash).

**Table 1.1 – Reconciliation of statutory net profit to underlying operating profit before tax (unaudited)**

The underlying operating profit is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for certain items. Underlying profit reflects the statutory profit as adjusted in order to present a figure which represents the Directors' assessment of the result for the ongoing business activities of the Group. The calculation of underlying profit before tax is unaudited.

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss) / Profit from continuing operations after income tax	(13,494)	7,919
Profit from discontinued operations after income tax	-	288
<b>Statutory net (loss) / profit after tax from continuing and discontinued operations</b>	<b>(13,494)</b>	<b>8,207</b>
<b>(Loss) / Profit for the half year includes the following items that are unusual because of their nature, size or incidence:</b>		
Net (gain) / loss on sale of investment properties	-	43
Net (gain) / loss in fair value of investment properties	-	610
Impairment of development land	10,149	700
Impairment of investment in equity accounted investments	627	-
Impairment of developed land in joint venture*	14,822	-
Hedge ineffectiveness on interest rate swaps	-	157
Rebates received	(458)	-
<b>Sub total</b>	<b>25,140</b>	<b>1,510</b>
Income tax (expense)/benefit	403	106
<b>Sub total</b>	<b>24,737</b>	<b>1,404</b>
<b>Underlying operating profit before tax (unaudited)</b>	<b>11,243</b>	<b>9,611</b>

\* The impairment of developed land in joint venture (\$15.4 million) is recognised in the statutory profit as part of the share of loss of associated and joint ventures accounted for using the equity method (\$17.4 million). Given this impairment at the joint venture level is an unusual transaction due to nature, size and incidence; it has been included in this calculation of underlying operating profit before tax (unaudited).

## Capital Management

### Debt facility

The Group's \$110 million banking facility with the ANZ has been extended for two years to 1 September 2016. At 30 June, the cash on hand and headroom<sup>5</sup> in this facility was \$44.7 million (30 June 2012 \$27.7 million). The gearing ratio was 24.7% compared to 27.6% in the prior year. This will enable the Group to continue to execute its targeted yet balanced acquisition strategy throughout the 2014 financial year.

The impairments would have given rise to a technical breach in one financial covenant as at 31 December 2012, however the Group was granted a waiver from ANZ effective 31 December 2012. No restriction has been imposed on the facility by ANZ during the financial year. All remaining covenants under the facility were complied with over the course of the year.

The average cost of debt for the year ending 30 June 2013 was 7.7%. A \$70 million swap at 3.5%<sup>6</sup> fixed remains in place through to June 2015.

### Share buy-back

The Board first announced a share buy-back on 28 June 2011. Since then, 11.8 million shares have been purchased, representing a 13.9% reduction in issued capital. Of these, 1.7 million shares have been acquired during the 2013 financial year at an average price of 82 cps. The strategy has significantly enhanced the Group's earnings and NTA per share.

### Dividends

No interim dividend was paid and the Board has determined not to pay a final dividend for 2013.

## Acquisitions

Since 30 June 2012, two acquisitions have been made at Thornlands (Bayside Brisbane, Qld) and Casuarina (Tweed Coast, NSW), and one at Carindale (East Brisbane, Qld), is unconditional with completion imminent, adding 215 lots to the Villa World land bank.

A balanced approach to acquisitions is being implemented. The Group will target both short to medium-term projects as demonstrated by its recent acquisitions as well as long-term projects that will provide further depth to the Group's land bank. The target regions for the acquisition strategy are Queensland (south-east coast and Townsville), South West Melbourne and North West Sydney.

In order to fund the Group's planned growth, alternative acquisition and funding models are under consideration including joint venture arrangements and vendor terms.

### Events subsequent to balance date

#### Options

The grant of options over ordinary shares to the Executive Chairman was approved by shareholders at a general meeting on 22 July 2013. The Board also approved the grant of option to key management personnel after the end of the financial year (Refer Note 30 – events subsequent to balance date).

#### Eynesbury

The Group is pleased that the sale of the Eynesbury project for \$60m is now unconditional, as recently announced to the ASX. The Group holds a 50% interest in the Eynesbury joint venture. The sale will allow the Group to re-deploy resources toward short and medium-term projects consistent with its acquisition strategy.

<sup>5</sup> Unused capacity in the facility plus cash on hand.

<sup>6</sup> Swap interest rate is before margin and other costs.



### Future development and results

The financial position of the Group at 30 June 2013 provide a solid financial platform which will enable the Group to create shareholder value through the implementation of our operational initiatives, and business plan.

It is envisaged that sales will continue to grow due to indications of improving confidence in the residential property market, coupled with our new diversified sales strategy which will increase our presence in the first home buyer market, and domestic and international investor market. In FY14 the Group will grow the business in Victoria, by commencing building operations and offering our own house and land packages in addition to our land product.

There is currently improved buyer interest on a weekly basis at most of the Group's projects. Record low mortgage rates are currently available to home buyers, together with government incentives. These conditions combined with unemployment levels remaining low and annual wages rising, support improved affordability for home buyers.

The key risk for the forthcoming financial year is sales risk, a risk which is largely impacted by consumer confidence. Economic conditions including interest rates, unemployment and wage increases directly impact consumer confidence. The Group's well-diversified project and product portfolio provides broadened sales platforms that assist in minimising sales risk.

The Group will continue to efficiently deliver its product, and all our developments have minimal project-based risk.

The debt facility has been extended until 1 September 2016 therefore mitigating financing risk. It is anticipated that all covenants associated with the facility will be complied with.

### Guidance

Assuming the positive momentum in general economic and company specific conditions continues, the Group is targeting an operating profit before tax in the range of \$12 million to \$14 million and it is the current intention of the Board to recommence dividends, with an interim dividend expected to be paid in April 2014.

### Remuneration report

The directors are pleased to present the Remuneration Report for 2013 which sets out the remuneration information for the Group's Executive Chairman, non-executive Directors and other key management personnel.

The key management personnel comprise the Directors of Villa World Group and the senior executives being:

- Craig Treasure *Executive Chairman and Managing Director*<sup>1</sup>
- Alexander Beard *Non-executive Director*
- Troy Harry *Non-executive Director*
- John Potter *Executive Director*<sup>2</sup>
- Richard Anderson *Non-executive Director*<sup>3</sup>
- Scott Payten *Chief Operating Officer*
- Paulene Henderson *Chief Financial Officer*

<sup>1</sup> Craig Treasure became an Executive Chairman from 1 August 2012 and Managing Director on 5 October 2012.

<sup>2</sup> John Potter resigned on the 5 October 2012.

<sup>3</sup> Richard Anderson resigned on the 25 October 2012.

### Remuneration policy and strategy

#### Villa World Group's Remuneration Policy

The Group's remuneration framework is structured to:

- Attract and motivate high quality talent to deliver superior long-term returns for shareholders.
- Align shareholders' and employees' interests and create value for shareholders by ensuring a reasonable proportion

of senior employees' remuneration is based on growth in total shareholder returns ("TSR").

- Be fair and consistent.
- Manage total rewards with emphasis on the "at risk" element as a motivator for senior executives.

Executive directors do not participate in discussions relating to their own remuneration.

#### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors receive a fixed fee for their services. Fees are reviewed annually by the Board having regard to amounts paid to non-executive directors with comparative roles in the external market. Fees are determined within an aggregate directors' fee pool limit which is periodically recommended for approval by shareholders.

#### Executive director and key management personnel

Remuneration for the Executive Chairman and key management personnel includes a combination of fixed remuneration and performance related incentives that enable the Group to attract and retain a suitable calibre of personnel. Performance based rewards are linked to the achievement of strategic objectives and the creation of wealth for shareholders. The remuneration package for the Executive Chairman and key management personnel is determined by the Board and assessed against the broader market.

### Voting and comments made at Villa World Group's 2012 Annual General Meeting

The Group received more than 97.3% of "yes" votes on its remuneration report for the 2012 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### Remuneration strategy for the executive director and key management personnel

#### Remuneration mix

Remuneration packages within the Group's remuneration framework comprise:

- Total Fixed Remuneration ("TFR") which is a market related base salary including superannuation contributions. TFR is determined by reference to the TFRs offered by the average to top quartile of comparator industry employers and is subject to annual benchmarking. TFR is reviewed annually and upon change of role or responsibility.
- Short Term Incentives ("STI"). STI are set as a percentage of TFR and are assessed annually against achievement of Key Performance Indicators ("KPI"). STI earned are paid as soon as practicable after the end of the year of assessment.
- Long Term Incentives ("LTI"). LTI are provided in the form of options which vest upon the achievement of KPI linked completion of service period and to growth in the share price.

The chart below shows the mix between TFR, STI and LTI for the executive directors and all key management personnel for the financial years ending 30 June 2013 and 2012.

	Total remuneration package components					
	TFR		STI - at risk		LTI	
	2013	2012	2013	2012	2013	2012
<b>Executive Directors</b>						
John Potter	100%	76%	-	-	-	24%
Craig Treasure	100%	-	-	-	-	-
<b>Other Key management personnel of the Group</b>						
Scott Payten <sup>^</sup>	77%	75%	23%	25%	0%	0%
Paulene Henderson <sup>^</sup>	83%	87%	17%	13%	0%	0%

<sup>^</sup>Excludes LTI, as the cash settled share base payment lapsed during FY13.

**Short Term Incentives**

The Board want remuneration being used effectively to attract, incentivise and appropriately reward key management personnel consistent with an increase in shareholder wealth. The remuneration incentives adopted relate to both quantitative financial measures as well as qualitative operational measures and include, but are not limited to, revenue, EBITDA, sales, safety, quality and general compliance requirements.

Under the current reward strategy a target for STI is calculated as a percentage of TFR. Actual STI awards can range from 0% of TFR up to 100% of TFR for outstanding performance and any awards of STI over 100% of TFR must be approved by the Board.

Approval of STI awards for the executive directors and key management personnel is by the Board.

**Long Term Incentives**

LTI exist by way of options or share based bonus payments documented in service agreements or under the Group's Option Plan, the details of which are disclosed under the share-based payments disclosure section – Note 32 and Note 30- Events subsequent to balance date.

**Termination benefits**

There are no termination benefits applicable to the current executive director and other key management personnel.

**Service Agreements****Executive director and key management personnel**

Remuneration and other terms of employment for the executive director and key management personnel are also formalised in service agreements. The key provisions of the agreements for the year ended 30 June 2013 relating to remuneration are set out in the table below:

	Base fee inclusive of superannuation	Term of agreement	Notice Period	Review Period	Anticipated annual cash bonus as
<b>Executive Director</b>					
Craig Treasure	500,000	Rolling	6 months	Annual	40%
John Potter	600,000	5 October 2012	-	-	-
<b>Key Management Personnel</b>					
Scott Payten	400,000	Rolling	6 months	Annual	25%
Paulene Henderson	250,000	Rolling	3 months	Annual	25%

**Remuneration strategy for non-executive directors****Villa World Group's Policy**

The Board make the decisions concerning the remuneration and remuneration structure for non-executive directors. Non-executive director remuneration comprises two main elements:

- 1 Main Board fees; and
- 2 Superannuation contributions at the statutory Superannuation Guarantee Levy rate.

There is no difference in workload between non-executive directors and there are no committee fees paid over and above the main Board fees.

Non-executive remuneration is set by reference to comparable entities listed on the Australian Securities Exchange.

**Review arrangements**

Shareholders have approved maximum aggregate Board and committee fees payable to non-executive directors of \$600,000. The total of non-executive directors' fees paid to non-executive directors for the year ended 30 June 2013 was \$159,140 (30 June 2012: \$198,716).

No directors' fees are paid to the executive chairman whilst engaged in the role of Executive Chairman.

**Service Agreements****Non-executive directors**

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of director.

**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous three financial years.

Performance KPI	FY10	FY11	FY12	FY13
	\$m	\$m	\$m	\$m
Revenue	272.2	110.8	146.5	169.4
Underlying operating profit before tax (unaudited)	21.1	9.1	9.6	11.2
Debt	93.1	62.4	74.2	71.0
Gearing Ratio	24.3%	23.5%	27.6%	24.7%
NTA per security (cents)	174.3	178.1	201.0	185.0

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years.

**Remuneration report (continued)****Details of remuneration**

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 "Related Party Disclosures") are detailed below.

**Details of remuneration earned or paid during the year ended 30 June 2013**

	Short term employee benefits		Post employment benefits	Long term benefits	Share based payments	Total
	Cash salary and fees	Cash bonus	Superannuation	Long service leave <sup>5</sup>	Share based bonus <sup>6</sup>	
	\$	\$	\$	\$	\$	\$
<b>2013</b>						
<i>Non-executive directors</i>						
Alexander Beard <sup>1</sup>	68,670	-	-	-	-	68,670
Troy Harry	63,000	-	5,670	-	-	68,670
Richard Anderson <sup>2</sup>	20,000	-	1,800	-	-	21,800
Subtotal non-executive directors	151,670	-	7,470	-	-	159,140
<i>Executive directors</i>						
Craig Treasure <sup>3</sup>	353,295	-	16,305	1,040	-	370,640
John Potter <sup>4</sup>	157,104	-	5,127	-	-	162,231
Subtotal executive directors	510,399	-	21,432	1,040	-	532,871
<i>Other key management personnel (Group)</i>						
Scott Payten	383,530	100,000	16,470	52,870	(117,311)	435,559
Paulene Henderson	221,652	45,000	16,470	3,535	(23,462)	263,195
Subtotal other key management personnel	605,182	145,000	32,940	56,405	(140,773)	698,754
<b>Total</b>	<b>1,267,251</b>	<b>145,000</b>	<b>61,842</b>	<b>57,445</b>	<b>(140,773)</b>	<b>1,390,765</b>

<sup>1</sup> Alexander Beard is the Managing Director of CVC Limited and his director's fees are paid to CVC Managers Pty Ltd.

<sup>2</sup> Richard Anderson resigned on the 25 October 2012.

<sup>3</sup> Craig Treasure was appointed Executive Chairman on 1 August 2012, prior to that date he was a non-executive director.

<sup>4</sup> John Potter resigned on the 5 October 2012.

<sup>5</sup> Long Service leave represents the total liability to the Group.

<sup>6</sup> The cash settled share-based bonus for Scott Payten and Paulene Henderson lapsed without payment on 1 November 2012.

**Details of remuneration earned or paid during the year ended 30 June 2012**

	Short term employee benefits		Post employment benefits	Long term benefits	Share based payments	Total
	Cash salary and fees	Cash bonus	Superannuation	Long service leave <sup>3</sup>	Share based bonus	
	\$	\$	\$	\$	\$	\$
<b>2012</b>						
<i>Non-executive directors</i>						
Craig Treasure <sup>1</sup>	22,308	-	2,008	-	-	24,316
Alexander Beard <sup>2</sup>	54,500	-	-	-	-	54,500
Troy Harry	50,000	-	4,500	-	-	54,500
Richard Anderson	60,000	-	5,400	-	-	65,400
Subtotal non-executive directors	186,808	-	11,908	-	-	198,716
<i>Executive directors</i>						
John Potter	580,589	-	15,775	2,750	192,192	791,306
Subtotal executive directors	580,589	-	15,775	2,750	192,192	791,306
<i>Other key management personnel (Group)</i>						
Scott Payten	373,238	138,112	15,775	34,611	-	561,736
Paulene Henderson	204,753	32,775	15,775	1,808	-	255,112
Subtotal other key management personnel	577,991	170,887	31,550	36,419	-	816,848
<b>Total</b>	<b>1,345,388</b>	<b>170,887</b>	<b>59,234</b>	<b>39,169</b>	<b>192,192</b>	<b>1,806,870</b>

<sup>1</sup> Craig Treasure was appointed Executive Chairman on 1 August 2012, prior to that date he was non-executive director.

<sup>2</sup> Alexander Beard is the Managing Director of CVC Limited and his director's fees are paid to CVC Managers Pty Ltd.

<sup>3</sup> Long Service leave represents the total liability to the Group.

**Remuneration report (continued)****Share based payments****Employee share scheme**

John Potter resigned as Managing Director on 5 October 2012 at which time he held 2,800,000 options. These options have been cancelled as a result of them not being exercised pursuant to his employment agreement.

On 21 December 2012 a Group Executive resigned at which time he held 400,000 options. These options have been cancelled as a result of them not being exercised pursuant to the consultancy agreement with the Group.

There are no other un-exercised options as at 30 June 2013.

The grant of options over ordinary shares in Villa World Limited to the Executive Chairman and Managing Director was approved by shareholders at a general meeting on 22 July 2013. In addition, key management personnel have also been issued with options pursuant to board approval on 22 July 2013. Full details of these options are disclosed in the subsequent events note. Refer Note 30-Subsequent Events.

**Employee cash settled share-based bonus payment**

The employment contracts of Scott Payten and Paulene Henderson provided for a guaranteed, cash settled share based bonus (no Board discretion). The value of the bonus is equal to the volume weighted average price paid for each Villa World Limited share for the 10 trading days prior to 1 November 2012, less \$1.00 multiplied by 1,000,000 (approved 16 December 2009) for Scott Payten, and 200,000 (approved 15 November 2010) for Paulene Henderson. The cash settled share-based bonus for Scott Payten and Paulene Henderson lapsed without payment on 1 November 2012. These bonuses were valued at \$140,773. Refer to Note 32-Share Based Payments.

**Expenses arising from share-based payments**

Total expenses arising from share-based payment transactions recognised during the year and prior year, as part of the employee benefit expense, were as follows:

	30-Jun-13	30-Jun-12
	\$	\$
Options issued to Directors	-	219,648
Fair value of cash settled share based payments for key management personnel	(140,773)	-
	(140,773)	219,648

**Environmental regulations**

The Group is subject to environmental regulation in respect of its land development and construction activities as set out below:

**(i) Land development approvals**

Approvals are required for land development from various government agencies and councils. The relevant authorities are provided with regular updates, and to the best of the Directors' knowledge, all activities have been undertaken in compliance with the requirements of the approvals.

**(ii) House construction/building approvals**

Building approvals are obtained for the construction of houses from the relevant councils. The construction of houses is subject to strict council requirements regarding environmental impacts from house construction including noise, silt, dust, run-off and drainage. To the best of the Directors' knowledge, all construction activities have been undertaken in compliance with the requirements of building approvals and local council requirements.

**Indemnification and insurance of officers and auditors****Indemnification**

During the year, the Group paid premiums for contracts insuring directors and officers of the Group and related parties against certain liabilities (subject to certain exclusions and to the extent permitted by law). The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' insurance contracts as (in accordance with normal practice) such disclosure is prohibited under the terms of the contracts.

**Insurance premiums**

Villa World Limited's constitution provides that it indemnifies, on a full indemnity basis and to the full extent permitted by law, officers of the company for all losses and liabilities incurred by the person in their position as an officer of the company or a related body corporate.

Villa World Limited has entered into Deeds of Indemnity in favour of each of the directors referred to in this report who held office during the year and the company secretary. Additionally, separate deeds of indemnity cover other officers of controlled entities who have been requested to act as directors on the boards of other companies in which Villa World Limited holds an interest. The indemnities in these deeds operate to the full extent permitted by law and are not subject to a monetary limit. Villa World Limited is not aware of any liability having arisen and no claims have been made during or since the financial year under the Deeds of Indemnity.

Villa World Limited has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

**Non-audit services**

During the period PricewaterhouseCoopers, the Group's auditor, have performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the period by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is comparable with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Group, PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in note 7 of the financial statements.

**Lead Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 12.

**Rounding of amounts**

The Villa World Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors.

A handwritten signature in cursive script, appearing to read 'Craig Treasure', is positioned above the printed name and title.

Craig Treasure  
Executive Chairman & Managing Director

Gold Coast  
26 August 2013



## Auditor's Independence Declaration

As lead auditor for the audit of Villa World Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Villa World Limited and the entities it controlled during the year.

A handwritten signature in blue ink, appearing to read 'M O'Donnell', is positioned above the printed name.

Michael O'Donnell  
Partner  
PricewaterhouseCoopers

Brisbane  
26 August 2013

## Corporate Governance Statement

The Board believes that genuine commitment to good corporate governance is essential to the performance and sustainability of the Company's business.

The Board has given due consideration to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (Recommendations), which offer a framework for good corporate governance. Copies of the Company's key governance policies are available in the Corporate Governance section of its website at [www.villaworld.com.au](http://www.villaworld.com.au) (the Company's website).

### 1 Laying 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 executives and certain committees. There is a departure from the disclosure requirement under Recommendation 1.1 in that the matters reserved to the Board are disclosed as "responsibilities" in the Board Charter. These matters include approving strategy and direction, approving any significant acquisitions or disposals, monitoring financial controls, governance and overall risk management, and appointing the Managing Director and Company Secretary. The non-executive directors are also responsible for reviewing the performance of the Managing Director.

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 Managing Director and senior executives, who are required to work within authority limits and delegations.

The Board Charter is available on the Company's website.

#### 1.2 Board Committees

The Board has established the following specialist committees:

- Audit and Risk Committee;
- Debt Compliance Committee;
- Workplace Health and Safety Committee;

The composition of these committees is outlined at sections 4 and 8 below. The charter for the Audit & Risk Committee is available in the Corporate Governance section of the Company's website.

Director's attendance at Board and Audit and Risk Committee meetings during the past year is set out at page 4 of the Directors' Report.

#### 1.3 Board Performance

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. The review of the Board for 2013 was completed in accordance with this process.

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 the requirements under Recommendation 2.5.

#### 1.4 Performance and Evaluation of Senior Executives

The Company has established processes of objective setting and performance review of all staff, which is conducted annually. Senior executives, who have a discretionary element to their total remuneration package, have defined key performance indicators (KPI's) which are agreed at the commencement of each financial year. The performance of the Managing Director is reviewed annually by the non-executive directors. This review did not occur during the reporting period because the Managing Director has been in the role for less than 12 months.

The Managing Director reviews the performance of each senior executive and reports to the Board on the outcome of these reviews. Detailed information about executive remuneration is set out on pages 8 - 11 of the Directors' Report. A performance evaluation of all senior executives was undertaken during the year, save for the Managing Director as described above.

### 2 Structuring 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 skills, experience and expertise and whether the director is considered to be independent.

The Company's objective is that the Board should be of a size and composition that is conducive to effective decision making, reflects an appropriate breadth of expertise to oversee the business, and the roles of its members best utilise that expertise. The Board reviews its composition annually to ensure that it:

- has an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities; the board will consider the appointment of a new director(s) on an as needs basis, however there is presently no deficiency in the Board's breadth of skill and experience. and
- is able to effectively deal with current and emerging issues of the business and can effectively review and challenge the performance of management and exercise independent judgment.

#### 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 defines an independent director as a non-executive director who is free of any business or other relationship that could interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment and 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 'relationships affecting independent status' set out in the Recommendations and other facts, information and circumstances that the Board considers relevant. For example, each non-executive director is asked to confirm whether they have any interests or relationships that may impact either on their ability to act in the best interests of the Company, or independently of management. The test of whether a business or other relationship is material<sup>7</sup> is assessed from the perspective of both the Company and the director. The criteria used to assess

<sup>7</sup> While the Board believes it is inappropriate to determine materiality solely on the basis of arbitrary dollar, profit or turnover percentage tests, when assessing materiality, thresholds suggested in accounting standards are considered and interests equal to more than 5% of revenue, equity or profit are potentially material, with 10% of consolidated gross revenue in a 12 month period being material. In certain circumstances, the Board considers that interests of a lesser value might also be relevant.

independence, including guidance for determining materiality, are reviewed annually and are set out in the Board Charter.

There were a number of changes to the roles undertaken by Board members during the financial period. As at the date of this statement the Board is comprised of one independent director (Troy Harry), one non-executive director (Alexander Beard), and one executive director (Craig Treasure). Alexander Beard is not considered independent as he is a nominee of CVC Limited.

The Company notes the following Recommendations:

- that the majority of the Board should be independent directors (2.1);
- that the Chair of a listed company be an independent director (2.2); and
- that the roles of Chair and CEO should not be performed by the same person (2.3).

Craig Treasure (previously an independent director) assumed the role of an executive director and Chairman on 1 August 2012. Since that date, the Company has not followed recommendations 2.1 and 2.2. Mr Treasure was appointed Managing Director on 5 October 2012. Since that date, the Company has not followed recommendation 2.3. Taking into account the high level of experience that Mr Treasure brings to the role, the size of the Company, the non-executive directors believe Mr Treasure is the most appropriate person to fulfil the role of Chairman notwithstanding that he is not an independent director and is the Managing Director; and considers the present composition of the Board appropriate to the Company's needs.

To assist directors to fully meet their responsibilities to bring an independent view on matters before them, each director has the right of access to all relevant company information and senior management and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense.

### 3 Promotion of Ethical and responsible decision making

#### 3.1 Code of conduct

The Directors' Code of Conduct summarises the responsibilities of the Company's directors in maintaining the Company's commitment to high standards of ethical conduct. A copy of the Code of Conduct is available on the Company's website.

The Directors' Code of Conduct is one 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.

#### 3.2 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 on the Company's website.

#### 3.3 Diversity

The Board believes that a diverse and inclusive workforce at all levels of the organisation makes good business sense and is committed to fostering a corporate culture that embraces diversity and where people are encouraged to succeed to the best of their ability. Diversity includes, but is not limited to, gender, age, disability, ethnicity, cultural background or any other characteristic that makes individuals different from each other.

The Company's Diversity Policy, which is available on its website, requires the establishment of measurable objectives for diversity across the Company's workforce and Board awareness of progress against these objectives. In developing these objectives, the initial emphasis has been on gender diversity and seeking to strengthen the representation of women in executive and managerial positions.

The Company's measurable objectives are summarised below.

Strategic Goal	Measurable Objectives	Outcome as at 30 June 2013
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	Procedures have been implemented and will continue to be monitored
Attraction and retention	Target no less than 25% female representation at senior management level	Procedures have been implemented and will continue to be monitored
Annual gender audit	Undertake an annual gender audit to identify any career or development hurdles/blocks, and consider changes required to overcome hurdles	Procedures have been implemented and will continue to be monitored

#### Female participation in the Company's workforce

There are currently no women on the Company's Board. The Board Charter was amended on 31 May 2012 to include diversity as one of the considerations in assessing Board composition.

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

	Female	Male
Senior executives	33%	67%
Senior managers	14%	86%
All employees	45%	55%



## 4 SAFEGUARDING INTEGRITY AND FINANCIAL REPORTING

### 4.1 Audit and Risk Committee

The primary function of the Audit and Risk Committee is to assist the Board in establishing and maintaining a framework of financial risk management, internal controls and ethical standards for the management of the Company and to monitor the quality of financial information released to the market.

The composition of the Company's Audit and Risk Committee changed during the year however as the date of this statement the committee is presently comprised of 2 non-executive directors, one of whom is the independent director and chair of the committee, Troy Harry, the other is Alexander Beard. In addition, Mr Treasury (Executive Director) was a member of the committee until 5 October 2013. In these respects, there is a departure from Recommendation 4.2, because the non-executive directors consider that the committee is of sufficient size and expertise, having regard to the nature, scale and complexity of the Company's business.

Details of the committee's meetings and attendance of the members is set out on page 4 of the Directors' Report. While this departs from recommendation 4.4, the Board considers it appropriate to include this information in one section of the report to avoid duplication.

The responsibilities of the Audit and Risk Committee include assisting the Board in fulfilling its corporate governance responsibilities related to:

- the appropriateness and effectiveness of the Group's accounting policies and the integrity of the Group's financial reports and related communications to stakeholders;
- the management of internal, external, and compliance audits including monitoring the implementation of improvements to identified control deficiencies;
- business risk management and internal control systems; and
- monitoring corporate conduct and business ethics, including auditor independence, related party transactions, and performance and ongoing compliance with laws and regulations.

The Audit and Risk Committee Charter outlines the committee's role and responsibilities and is available on the Company's website.

### 4.2 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 auditors have 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.

## 5 Timely and Balanced Disclosure

The Company has a Continuous Disclosure Policy designed to ensure shareholders and the market are provided with high quality and accurate information in a timely and widely available manner, and there are appropriate accountabilities within the Company for compliance.

It is the Company's policy that any price-sensitive material for public announcement will be reviewed internally before issue,

expressed in a clear and objective manner, and lodged with the ASX in accordance with the relevant requirements.

The Continuous Disclosure Policy is available on the Company's website.

## 6 Respecting the Rights of Shareholders

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

Information is communicated to security holders through the annual report, half-yearly report, announcements made to the ASX, the annual general meeting ('AGM') and the Company's website which has a dedicated investor relations section.

Shareholders are encouraged to attend the AGM and to use this opportunity to ask questions and vote on important matters affecting the Company, including the election of directors, the receipt of annual financial statements and the advisory vote on the Remuneration report.

The external auditor also attends the AGM to be available to answer shareholder questions about the conduct of the audit, the preparation and content of the auditor's report, the Company's accounting policies and auditor independence.

The Company encourages shareholders to access the annual report online to assist with our commitment to the environment, as well as being more cost efficient. A printed copy of the annual report is only sent to those shareholders who have elected to receive it. Otherwise shareholders will be notified when the annual report is available to be accessed via the Company's website or sent via email.

The Company works closely with its share registrar to monitor and review the potential to increase the use of electronic means of communicating with its shareholders.

## 7 Recognising and managing Risk

The Audit and Risk Committee assists the Board by monitoring and reviewing the corporate processes for identifying and managing relevant financial risks associated with the Company's activities. The Audit and Risk Committee Charter is available on the Company's website.

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 - Managing Director and CFO certifications

- The Board has received declarations from the Managing Director and Chief Financial Officer in connection with the financial statements for the Group for the year ended 30 June 2013. It has also received assurances from the Managing Director and Chief Financial Officer that their declarations (provided in accordance with section 295A of the Corporations Act) as to the integrity of the financial statements is 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 2013.

### **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.
- Monthly project review with key executives, including the Chief Financial Officer and Chief Operations Officer, 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, Chief Financial Officer, Chief Operations Officer and other key managers oversees the compliance reporting systems relating to the Company's debt facility. The committee meets quarterly, with risk areas reported to the Board.

### **7.5 Corporate responsibility, environment and workplace safety**

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

## **8 Remunerating Fairly and Responsibly**

The Company notes Recommendations 1.2, 1.3 and 1.4, which contain suggestions regarding the establishment, composition and role of nomination and remuneration committees. While departing from these recommendations, the Board considers it appropriate that these responsibilities (presently set out in the Nomination and Remuneration Committee charter on the Company's website) be assumed by the Board as part of its broader responsibilities, taking into account the size of the Board and the senior executive team.

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.

For the reporting period, the remuneration of the Managing Director and other Senior Executives comprised fixed remuneration, short term incentives (cash and deferred equity) and long term equity based incentives. The terms of any options issued to senior executives do not permit the holder to enter into transactions involving unvested share entitlements to the Company's shares.

Full details of directors and executive remuneration are set out in the Remuneration Report, which commences on page 7.

## Contents of the financial statements

Financial Statements	Page
Consolidated income statement .....	18
Consolidated statement of comprehensive income.....	19
Consolidated balance sheet .....	20
Consolidated statement of changes in equity.....	21
Consolidated cash flow statement .....	22
Notes to the consolidated financial statements .....	23
Director's Declaration.....	54
Independent auditor's report to the shareholders of Villa World Limited .....	55

Villa World Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

**Villa World Limited  
Level 1 Oracle West  
19 Elizabeth Avenue  
Broadbeach QLD 4218**

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Director's Report on pages 4 to 11, which are not part of these financial statements.

These financial statements are for the consolidated entity consisting of Villa World Limited and its controlled entities. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors on 26 August 2013. The directors have the power to amend and - reissue the financial statements.

**Consolidated income statement**

For the year ended 30 June 2013

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
Revenue from land development, residential building and construction contracts	4	169,396	146,500
Cost of land development, residential building and construction contracts	5	(122,401)	(109,548)
<b>Gross profit</b>		<b>46,995</b>	<b>36,952</b>
Other revenue	4	2,077	3,571
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method		(17,435)	1,438
Impairment of investment in equity accounted investments	11	(627)	-
Expenses, excluding finance costs	5	(36,920)	(23,127)
Finance costs	6	(7,987)	(11,021)
<b>(Loss)/Profit before income tax from continuing operations</b>		<b>(13,897)</b>	<b>7,813</b>
Income tax benefit / (expense)	8	403	106
<b>(Loss)/Profit from continuing operations after income tax</b>		<b>(13,494)</b>	<b>7,919</b>
Profit from discontinued operations after income tax	34	-	288
<b>Net (loss)/Profit for the year</b>		<b>(13,494)</b>	<b>8,207</b>
<b>(Loss)/Profit is attributable to:</b>			
Equity holders of the company		(13,494)	8,207

		Half-year Cents	Half-year Cents
<b>Earnings per share:</b>			
Basic earnings per share from continuing operations attributable to equity holders of the company	3	(18.2)	10.1
Basic earnings per share attributable to equity holders of the company	3	(18.2)	10.4
Diluted earnings per share from continuing operations attributable to equity holders of the company	3	(18.2)	10.1
Diluted earnings per share attributable to equity holders of the company	3	(18.2)	10.4

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 30 June 2013

	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
<b>Net (loss)/profit for the year</b>		(13,494)	8,207
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	21	(195)	(706)
Income tax relating to these items	8(c), 21	59	212
<b>Other comprehensive (loss)/income for the year, net of tax</b>		(136)	(494)
<b>Total comprehensive (loss)/income for the year</b>		<b>(13,630)</b>	<b>7,713</b>
<b>Total comprehensive (loss)/income for the year is attributable to:</b>			
Equity holders of the company		(13,630)	7,713
Equity holders of the company		(13,630)	7,713
<b>Total comprehensive (loss)/income for the year attributable to equity holders of the company arises from:</b>			
Continuing operations		(13,630)	7,425
Discontinued operations		-	288
		<b>(13,630)</b>	<b>7,713</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet  
As at 30 June 2013

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	15,350	2,820
Trade and other receivables	10	27,375	20,269
Inventories	12	85,907	84,311
Other current assets	13	1,921	1,423
<b>Total current assets</b>		<b>130,553</b>	<b>108,823</b>
<b>Non current assets</b>			
Receivables	10	-	23,121
Non current inventory	12	83,365	106,545
Property, plant and equipment	14	961	1,016
Investment accounted for using the equity method	11	13,701	9,703
Deferred tax assets	16	11,723	11,258
Other non current assets	13	340	404
<b>Total non current assets</b>		<b>110,090</b>	<b>152,047</b>
<b>Total assets</b>		<b>240,643</b>	<b>260,870</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	24,986	27,018
Provisions	19	6,945	5,169
<b>Total current liabilities</b>		<b>31,931</b>	<b>32,187</b>
<b>Non current liabilities</b>			
Payables	17	1,069	3,104
Borrowings	18	71,040	74,166
Provisions	19	471	184
<b>Total non current liabilities</b>		<b>72,580</b>	<b>77,454</b>
<b>Total liabilities</b>		<b>104,511</b>	<b>109,641</b>
<b>Net assets</b>		<b>136,132</b>	<b>151,229</b>
<b>EQUITY</b>			
Contributed equity	20	382,126	383,592
(Accumulated losses)	21	(245,556)	(232,062)
Reserves	21	(438)	(301)
<b>Total equity attributable to shareholders</b>		<b>136,132</b>	<b>151,229</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2013

		Contributed Equity	Hedging Reserve	Other Reserves	Retained Losses	Total
	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance 1 July 2011		392,036	(27)	-	(240,269)	151,740
Profit for the full-year		-	-	-	8,207	8,207
Other comprehensive (loss)/income	21	-	(494)	-	-	(494)
<b>Total comprehensive (loss)/income for the full-year</b>		-	(494)	-	8,207	7,713
<b>Transactions with owners in their capacity as owners:</b>						
Share buy back transactions	20	(8,520)	-	-	-	(8,520)
Share based payments expense	21	-	-	220	-	220
Disposal of treasury shares	20	76	-	-	-	76
		(8,444)	-	220	-	(8,224)
<b>Balance as at 30 June 2012</b>		<b>383,592</b>	<b>(521)</b>	<b>220</b>	<b>(232,062)</b>	<b>151,229</b>
(Loss) for the full-year		-	-	-	(13,494)	(13,494)
Other comprehensive income	21	-	(136)	-	-	(136)
<b>Total comprehensive (loss)/income for the full-year</b>		-	(136)	-	(13,494)	(13,630)
<b>Transactions with owners in their capacity as owners:</b>						
Share buy back transactions	20	(1,467)	-	-	-	(1,467)
		(1,467)	-	-	-	(1,467)
<b>Balance as at 30 June 2013</b>		<b>382,125</b>	<b>(657)</b>	<b>220</b>	<b>(245,556)</b>	<b>136,132</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement  
For the year ended 30 June 2013

	Consolidated	
	30-Jun-13	30-Jun-12
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	163,483	140,560
Payments to suppliers and employees (inclusive of goods and services tax)	(116,742)	(132,859)
Payments for land acquired	(25,112)	(15,814)
Interest received	593	319
Interest paid	(4,356)	(6,278)
Borrowing costs	(700)	(519)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>31</b>	<b>(14,591)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment properties	-	6,950
Purchase of property plant & equipment	(323)	(608)
Dividends received	860	750
Loans to related parties	-	(2,713)
Repayment of loans by related parties	(580)	5,690
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(43)</b>	<b>10,069</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	5,874	155,166
Repayment of borrowings	(9,000)	(143,404)
Repayment of borrowings from related party	-	(571)
Payments in respect of ineffective hedge	-	(1,193)
Payments for shares bought back	20	(8,520)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>(4,593)</b>	<b>1,478</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>12,530</b>	<b>(3,044)</b>
Cash and cash equivalents at the beginning of the financial year	2,820	5,864
<b>Cash and cash equivalents at the end of the year</b>	<b>15,350</b>	<b>2,820</b>
<b>Reconciliation to cash at the end of the year:</b>		
Cash and cash equivalents	9	15,350
<b>Cash and cash equivalents at the end of the year</b>	<b>15,350</b>	<b>2,820</b>

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.



**Contents of the notes to the financial statements**

1	Summary of significant accounting policies.....	24
2	Critical accounting estimates and judgements .....	30
3	Earnings per share .....	31
4	Revenue.....	32
5	Expenses.....	32
6	Finance costs .....	32
7	Auditor's remuneration .....	33
8	Income tax expense.....	33
9	Cash and cash equivalents.....	34
10	Trade and other receivables .....	35
11	Investments accounted for using the equity method.....	35
12	Inventories .....	36
13	Other assets .....	36
14	Property, plant and equipment .....	37
15	Parent entity financial information .....	37
16	Deferred tax assets / (liabilities) .....	37
17	Trade and other payables.....	39
18	Borrowings .....	40
19	Provisions .....	41
20	Contributed equity .....	42
21	Other reserves and retained profits .....	43
22	Dividends.....	43
23	Financial risk management.....	43
24	Key management personnel disclosures .....	46
25	Contingencies .....	48
26	Commitments.....	48
27	Related party transactions .....	49
28	Subsidiaries .....	49
29	Interest in joint ventures .....	50
30	Events subsequent to balance date.....	50
31	Reconciliation of profit after income tax to net cash inflow from operating activities.....	51
32	Share-based payments .....	52
33	Segment information.....	52
34	Discontinued operations .....	52

## 1 Summary of significant accounting policies

### (a) Reporting entity

The financial statements are for the consolidated entity Villa World Group ("the Group") consisting of Villa World Limited ("Parent") and its subsidiaries and the Group's interest in associates and jointly controlled entities during the year ended 30 June 2013. Transactions between the entities have been eliminated in the consolidated financial report of the Group.

### (b) Basis of preparation

The principal accounting policies adopted in the preparation of these general purpose consolidated financial statements, have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Villa World Limited is a for profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, plant and equipment and investment property.

#### (iv) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period, and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

#### (v) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

#### (vi) Changes to presentation – classification of expenses

In the prior period, borrowing costs of \$519k were included in the net cash inflow/ (outflow) from operating activities as an inflow, however this was in error and the amount has been correctly disclosed as an operating net cash outflow. This resulted in an overstatement of payment to suppliers hence the net impact of the operating cash flow is nil.

### (c) Parent entity financial information

The financial information for the parent entity, Villa World Limited, disclosed in note 15 has been prepared on the same basis as the consolidated financial statements.

#### (i) Investments in subsidiaries, associates and joint venture entities

Investments in controlled entities are carried in the company's financial statements at the lower of cost or recoverable amount. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

#### (ii) Tax consolidation legislation

Villa World Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer to note 1(s).

### (d) Principles of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities over which the Group has the power, directly or indirectly, to govern their financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset transferred. Investments in subsidiaries are accounted for at cost in the individual financial statements of the Group.

#### (ii) Joint venture entities

The interest in the joint venture partnership is accounted for in the consolidated financial statements using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the joint venture are set out in note 29 - Interests in joint ventures.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the parent entity's ownership interest until such time as they are realised by the joint venture entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

#### (iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transaction with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for

the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are classified to profit or loss where appropriate.

**(e) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the executive team.

Disclosures concerning the Group's operating and reportable segments, as well as they key financial information provided to the CODM are set out in Note 33 - Segment Information.

**(f) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the major business activities as follows:

**(i) Rental income**

Rental income from investment properties is recognised when the revenue is earned. Rental income not received at reporting date is reflected in the balance sheet as a receivable, or if paid in advance as rent in advance. Lease incentives granted are recognised over the lease term on a straight line basis, as a reduction of lease income.

**(ii) Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised on accordance with the stage of completion unless they create an asset to future contract activity.

The stage of completion is assessed internally. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

**(iii) Land development and resale**

Revenue and costs of sales are brought to account when the significant risks and rewards of ownership and effective control over the goods have passed to the buyer. The significant risks and rewards are considered to be transferred to the buyer when the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units sold. This is considered to be when the contract becomes unconditional or upon settlement depending on the terms of the contract and when it is probable that the economic benefits associated with the transaction will flow to the Group.

**(iv) Interest income**

Interest income is recognised in the income statement using the effective interest method. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis including withholding tax, if any.

**(v) Sale of non-current assets**

The net loss or gain on sale of assets is calculated as the difference between the gross proceeds of sale and the carrying amount of the asset at the time of disposal (including incidental costs) and is recognised in other income.

**(vi) Dividends and distribution**

Dividend revenue is recognised net of any franking credits.

Revenue from distributions from controlled entities is recognised by the Group when the right to receive the distribution has been established.

Revenue from dividends and distributions from other investments is recognised when the right to receive the distribution has been established. This applies even if they are paid out of pre-acquisition profits.

**(g) Expense recognition**

Expenses are recognised in the income statement on an accrual basis.

**(h) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

**(i) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfer from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line and/or diminished value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Plant and equipment	3-10 years
Leased plant and equipment	2-8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(j) Inventories****(i) Land held for resale and development costs**

Land held for resale and development costs are stated at the lower of cost and net realisable value. Costs include the cost of acquisition and development, construction and other relevant expenditure and interest (if the asset is a qualifying asset).

The cost of land and buildings acquired under contracts entered into but not settled prior to balance date are not taken up as inventories and as liabilities at balance date unless all contractual conditions have been fulfilled and there is certainty of completion of the purchase evident at balance sheet date.

Borrowing costs included in the cost of land for resale and development costs are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

**(k) Financial assets****Classification**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition.

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current assets.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

Financial assets that are classified as loans and receivables include accounts receivable and are carried at amortised cost using the effective interest rate (where relevant), less impairment losses.

**Measurement**

At initial recognition, the Group measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

**Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**(l) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts. Trade receivables are generally due for settlement no more than 120 days from the date of recognition for land development and resale debtors and no more than 60 days for other debtors. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(n) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, borrowings, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

**(o) Impairment**

The carrying amounts of the Group's assets are tested for impairment at each balance sheet date where there are events or changes in circumstances that indicate they might be impaired.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely

independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

Impairment losses, other than in respect of goodwill, equity instruments classified as available for sale and financial assets carried at amortised cost, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(p) Derivatives**

The Group uses derivative financial instruments to hedge interest rate risks. In accordance with its investment strategy, the entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value and subsequently remeasured at fair value. The accounting for subsequent changes in the fair value is dependent on whether the derivatives are designated as a hedging instrument.

##### *(i) Fair value hedge*

Changes in fair value of derivatives that are designated and qualify as fair value are recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to the interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses. The fair value of hedging instruments is classified as a non-current asset or liability when the remaining maturity is more than 12 months. They are classified as current when the maturity is less than 12 months. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date being the present value of the quoted price.

##### *(ii) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps

hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

#### **(q) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Interest expense is accrued at the effective interest rate.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **(r) Finance costs**

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

#### **(s) Income tax**

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying

amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of assets or liabilities that affect neither accounting nor taxable profit or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the timing of the reversal can be controlled.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### *Tax consolidation legislation*

Villa World Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation forming a tax consolidated Group. The head entity and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the relevant tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

#### **(t) Goods and Services tax**

Revenues, expenses and assets (other than receivables) are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing

and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### **(u) Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the same time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A provision is raised in respect of any dividend to shareholders unpaid at balance date where the dividend has been declared as payable prior to balance date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provisions for legal claims recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated possibilities. Where the Group expects some or all of a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

#### **(v) Employee benefits**

##### *(i) Short term benefits*

Liabilities for salaries and wages, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### *(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *(iii) Share-based payments*

Share-based compensation benefits are provided to key personnel via an employee option scheme. Information relating to these schemes is set out in note 32 – Share-based payments.

The fair value of options granted under the Villa World Limited Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

*(iv) Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(v) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**(w) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Group reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**(x) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the reporting period.

**(y) Earnings per share**

*Basic earnings per share*

Basic earnings per share is determined by dividing the net profit from continuing operations attributable to the shareholders of the Group by the weighted average number of units outstanding during the year. Basic earnings per share is also determined for the total profit attributable to shareholders, including any profit or loss from discontinued operations.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential shares.

**(z) Rounding of amounts**

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, the nearest dollar.

**(aa) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group is yet to evaluate its joint arrangements in light of the new guidance.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

- (ii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013).*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity of the current or future reporting periods and on foreseeable future transactions.

- (ii) *AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)*

The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the group recognises any impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 July 2014.

## 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Income taxes

The Group is subject to income taxes in Australia.

The Group recognises liabilities based on the Group's current understanding of the tax law. Where that final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised.

Utilisation of the tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. It is believed that The Group will satisfy the continuity of ownership test and the same business test in order to receive any tax losses.

### (ii) Inventory

The inventory of Group is stated as the lower of cost and net realisable value in accordance with the accounting policy stated in note 1(j). The net realisable value amount has been determined based on the current future estimated cash flow of the projects.

### (iii) Warranty claims

The Group generally offers 6 year 3 month warranty for its housing products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The Group includes legal costs in the provision for warranty claims to the extent that it has a present obligation to incur these costs at the end of the reporting period. Estimating this provision requires the exercise of significant judgement and it is therefore possible that actual amounts may differ from this estimate. The assumptions made in relation to the current period are consistent with those in the prior year.

### (iv) Impairment of equity accounted investments

After application of the equity method, (including recognising the joint venture's losses), the Group applies AASB 139 *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Estimating these future cash flows of the joint venture requires significant judgement and therefore actual amounts may differ from this impairment estimate.



**3 Earnings per share****(a) Basic and diluted earnings per share**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>		
From continuing operations	(18.2)	10.1
From discontinued operations	-	0.3
<b>Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company</b>	<b>(18.2)</b>	<b>10.4</b>

**(b) Reconciliation of earnings used in calculation**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit attributable to the ordinary equity holders of the company used in calculating basic</b>		
From continuing operations	(13,494)	7,919
From discontinued operations	-	288
	<b>(13,494)</b>	<b>8,207</b>

**(c) Weighted average number of shares**

Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share is 74,107,715 (30 June 2012: 78,714,262).

**(d) Diluted average number of shares**

The Group has not issued any other shares that may result in a dilution of earnings attributed to shareholders. Diluted earnings per share are therefore the same as basic earnings per share. There were no options granted during the financial year ending 30 June 2013.

**4 Revenue**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
Revenue from land development, residential building and construction contracts	169,396	146,500
<b>Other revenue</b>		
Revenue from related joint ventures	349	3,080
Rental revenue	24	94
Interest revenue	593	319
Rebates received	458	-
Hedge ineffectiveness on interest rate swaps	-	(157)
Net gain/(loss) on sale of other assets	-	(79)
Net gain/(loss) on sale of depreciable assets	-	(56)
Other revenue	653	370
	<b>2,077</b>	<b>3,571</b>
	<b>171,473</b>	<b>150,071</b>

## 5 Expenses

	Consolidated	
	30-Jun-13	30-Jun-12
	\$'000	\$'000
<b>Expenses, excluding finance costs, included in the consolidated income statement classified by function</b>		
Cost of land development, residential building and construction contracts	122,401	109,548
Other expenses, excluding finance costs	36,920	23,127
	<b>159,321</b>	<b>132,675</b>
<b>Classification of these expenses by function</b>		
Cost of development properties sold	122,401	109,548
<b>Other expenses from ordinary activities</b>		
Property sales and marketing expenses	12,661	8,385
Employee benefits expense	7,858	7,797
Land holding costs	2,618	2,103
Legal and professional costs	1,049	1,252
Administration costs	406	671
Impairment of development land	10,149	700
Information Technology costs	696	-
Depreciation and amortisation expense	363	331
Other costs	1,120	1,888
	<b>36,920</b>	<b>23,127</b>

## 6 Finance costs

	Consolidated	
	30-Jun-13	30-Jun-12
	\$'000	\$'000
<b>Loan interest and charges</b>		
Other financial institutions	4,539	6,436
Unwind of discount deferred consideration	1,537	1,411
Borrowing costs	344	1,984
	<b>6,420</b>	<b>9,831</b>
Amount capitalised	(2,697)	(2,336)
Unwind of amount capitalised*	4,264	3,526
<b>Total finance costs included within the income statement</b>	<b>7,987</b>	<b>11,021</b>

\*The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted interest rate applicable to the entity's outstanding borrowings during the year, including line fees and margins, in this case 7.68% (30 June 2012 8.48%).

**7 Auditor's remuneration****(a) Audit services provided by PwC Australia:**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Audit and other assurance services</b>		
Audit and review of financial reports	206,076	123,813
	<b>206,076</b>	<b>123,813</b>
<b>Other services provided by PwC:</b>		
Taxation services	1,250	44,644
Other services	14,500	11,356
	<b>15,750</b>	<b>56,000</b>
<b>Total remuneration of PwC Australia</b>	<b>221,826</b>	<b>179,813</b>

**(b) Audit services provided by Non-PwC audit firms:**

<b>Audit and other assurance services</b>		
Audit of property outgoings	-	3,000
	-	<b>3,000</b>
<b>Other services provided:</b>		
Taxation services	72,877	90,291
Other services	59,730	1,425
	<b>132,607</b>	<b>91,716</b>
<b>Total remuneration of Non-PwC audit firms</b>	<b>132,607</b>	<b>94,716</b>

**8 Income tax expense****(a) Income tax expense/(benefit)**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
Current tax	-	3
Deferred tax	(1,161)	(269)
Adjustments for current tax of prior periods	758	160
<b>Aggregate income tax expense / (benefit)</b>	<b>(403)</b>	<b>(106)</b>
<b>Income tax is attributable to</b>		
Profit from continuing operations	(403)	(106)
<b>Aggregate income tax expense / (benefit)</b>	<b>(403)</b>	<b>(106)</b>
<b>Deferred income tax (revenue) / expense included in income tax expense comprises</b>		
Decrease / (increase) in deferred tax assets	(7,414)	(3,207)
(Decrease) / increase in deferred tax liabilities	7,011	3,098
Adjustments for current tax of prior periods	(758)	(160)
	<b>(1,161)</b>	<b>(269)</b>

**8 Income tax expense (continued)****(b) Numerical reconciliation of income tax expense to prima facie tax payable**

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
Profit / (loss) from continuing operations before tax	(13,897)	7,813
Profit / (loss) from discontinuing operations before tax	-	288
	<b>(13,897)</b>	<b>8,101</b>
Tax at the Australian tax rate of 30% (2012: 30%)	(4,169)	2,430
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Accounting loss on sale of assets	-	154
Property, plant and equipment	(73)	-
Franking credits	(258)	-
Profit/(loss) of equity accounted investments	461	-
Derecognition/(recognition) of deferred tax asset for losses	2,874	(2,874)
Other	4	24
Adjustments for current tax of prior periods	758	160
<b>Total income tax expense/(benefit)</b>	<b>(403)</b>	<b>(106)</b>

**(c) Tax expense (income) relating to items of other comprehensive income**

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
Cash flow hedges	59	212
<b>Total tax expense (income) relating to items of other comprehensive income</b>	<b>59</b>	<b>212</b>

**(d) Tax losses**

During the year a prima facie taxable income of \$2.12 million (30 June 2012: \$6.5 million taxable loss) was generated by the Group. Unused tax losses of \$21.02 million (30 June 2012: \$34.6 million) with a potential tax benefit of \$6.31 million (30 June 2012: \$10.4 million) have been recognised at 30 June 2013. The Group has not recognised \$28.36 million of tax losses (30 June 2012: \$16.34 million) with a potential tax benefit of \$8.51 million (30 June 2012: \$4.9 million). Total unused tax losses for the Group at 30 June 2013 are \$49.38 million (30 June 2012: \$50.94 million).

**(e) Tax consolidation legislation**

The Group and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 12 December 2006. The accounting policy in relation to this legislation is set out in note 1(r). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into tax sharing agreements which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, the Group.

The entities have also entered into tax funding agreements under which the wholly-owned entities fully compensate for any current tax payable assumed and are compensated by the head entities for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Group under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entities, which are issued as soon as practicable after the end of each financial year. The head entities may also require payment of interim funding amounts to assist with its obligations to pay tax statements. The funding amounts are recognised as current intercompany receivables or payments.

**(f) Franking account**

An amount of \$19.1 million (30 June 2012: \$18.6 million) is held as franking credits in the Group.

**9 Cash and cash equivalents**

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
Cash at bank and in hand	15,350	2,820
<b>Cash and cash equivalents</b>	<b>15,350</b>	<b>2,820</b>

**10 Trade and other receivables**

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
<b>Current assets</b>			
Trade receivables		25,557	18,792
Provision for impairment of receivables		-	(240)
		<b>25,557</b>	<b>18,552</b>
Loans to joint ventures	27	-	1,166
Other receivables		1,818	551
<b>Total current assets</b>		<b>27,375</b>	<b>20,269</b>
<b>Non-current assets</b>			
Loan to joint ventures	27	28,968	28,968
Provision for impairment loss		(5,847)	(5,847)
Less: Reclassification of non current receivable to equity accounted investments	27	(23,121)	-
<b>Total non-current assets</b>		<b>-</b>	<b>23,121</b>

As a result of a change in the characteristics in the loan to the Eynesbury Group it has prompted its reclassification from receivables to equity accounted investments as the nature of the loan is now viewed to have more characteristics of equity rather than a loan.

The ageing of current trade receivables is as follows:

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
1 to 3 months	21,199	14,056
3 to 6 months	266	4
Over 6 months	4,092	4,732
	<b>25,557</b>	<b>18,792</b>

**(a) Past due but not impaired**

As of 30 June 2013, the trade receivables of the Group of \$nil (30 June 2012: \$4,735,769) were past due but not impaired. For the prior year these relate to a number of independent customers for whom there is no recent history of default.

**(b) Other receivables**

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

**(c) Fair value**

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The fair value of collateral held for trade receivables is \$25.6 million. Refer to Note 23 – Financial risk management for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

**11 Investments accounted for using the equity method****Interest in joint ventures**

On 29 November 2012 Villa World Developments Pty Ltd acquired the additional 50% interest in Cotton Ventures Pty Ltd and Cornell's Hill Pty Ltd to give the Group full ownership of both companies (refer to Note 28 – Subsidiaries and Note 29 – Interests in joint ventures). The former ventures are now included in the Group's Controlled entities.

**11 Investments accounted for using the equity method (continued)**

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
<b>Joint venture interests</b>			
Eynesbury Pastoral Trust		6,573	7,073
Eynesbury Development Joint Venture		2,082	522
Eynesbury Golf Pty Ltd		1,074	1,074
Plus: Reclassification from non current receivable to equity accounted investments	10	23,121	-
Less: Share of net (loss)/profits of associates and joint ventures		(17,448)	1,060
Less: Impairment of investment in Eynesbury Group		(627)	-
Less: Impairment of Eynesbury Golf Pty Ltd		(1,074)	(1,074)
<b>Total investment accounted for using the equity method for the Eynesbury Group</b>		<b>13,701</b>	<b>8,655</b>
<b>Other investments</b>			
Cornell's Hill Pty Ltd		-	621
Cotton Ventures Pty Ltd		-	427
		<b>13,701</b>	<b>9,703</b>

The assets available for sale and non-current receivable from Villa World's Eynesbury Township joint venture in Victoria have been impaired by \$15.4 million in total. This impairment occurs at two levels. Firstly, at the Eynesbury Joint Venture level impairing the inventory by \$14.8 million (50% share) which flows through to Villa World via the share of loss from assets available for sale. This impairment is based on the net realisable value assessment and is primarily created as a result of market conditions affecting that project. The total share of loss from equity accounted investments above of \$17.4 million also includes operating losses as well as the impairment. Secondly, a \$0.6 million impairment at the Group level based on the Board's assessment of the fair value of the joint venture investment to be \$13.7 million.

**12 Inventories**

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
<b>Current assets</b>			
Land and developments held for resale		87,069	84,311
Less: Impairment of development land		(1,162)	-
		<b>85,907</b>	<b>84,311</b>
<b>Non-current assets</b>			
Land and developments held for resale		92,352	106,545
Less: Impairment of development land		(8,987)	-
		<b>83,365</b>	<b>106,545</b>
<b>Total inventory</b>		<b>169,272</b>	<b>190,856</b>

Weak current and forecast trading conditions at the Augustus project in Hervey Bay, Queensland, has prompted a change in the long term strategy at this project, and has resulted in a write down in inventory of around \$8.9 million at 30 June 2013. A review of the carrying values of all other the Group projects resulted in an impairment charge totalling \$1.2 million across 3 other projects.

**13 Other assets**

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
<b>Current assets</b>		
Prepayments	836	833
Borrowing Costs	344	344
Advanced Commissions	695	203
Other	46	43
	<b>1,921</b>	<b>1,423</b>
<b>Non-current assets</b>		
Capitalised Borrowing Costs	340	404
	<b>340</b>	<b>404</b>

**14 Property, plant and equipment**

Year ended 30 June 2013	Leasehold	Plant and	Total
	Improvements	equipment	
	\$'000	\$'000	\$'000
Opening net book amount	362	654	1,016
Additions	31	290	321
Disposals	-	(13)	(13)
Depreciation charge	(61)	(302)	(363)
<b>Closing net book amount</b>	<b>332</b>	<b>629</b>	<b>961</b>
<b>At 30 June 2013</b>			
Cost	492	1,754	2,246
Accumulated depreciation	(160)	(1,125)	(1,285)
<b>Net book amount</b>	<b>332</b>	<b>629</b>	<b>961</b>

Year ended 30 June 2012	Leasehold	Plant and	Total
	Improvements	equipment	
	\$'000	\$'000	\$'000
Opening net book amount	-	796	796
Additions	393	227	620
Disposals	-	(69)	(69)
Depreciation charge	(31)	(300)	(331)
<b>Closing net book amount</b>	<b>362</b>	<b>654</b>	<b>1,016</b>
<b>At 30 June 2012</b>			
Cost	460	1,694	2,154
Accumulated depreciation	(98)	(1,040)	(1,138)
<b>Net book amount</b>	<b>362</b>	<b>654</b>	<b>1,016</b>

**15 Parent entity financial information**

The Group shareholders hold shares in a single holding company, being Villa World Limited (the "Company").

**(a) Summary financial information**

The individual financial statements for the parent entity, Villa World Limited, show the following aggregate amounts:

	Consolidated	
	30-Jun-13	30-Jun-12
	\$'000	\$'000
<b>Balance sheet</b>		
Current assets	7,546	6,366
<b>Total assets</b>	<b>150,120</b>	<b>154,697</b>
Current liabilities	4	137
<b>Total liabilities</b>	<b>4</b>	<b>137</b>
<b>Net assets</b>	<b>150,116</b>	<b>154,560</b>
<b>Shareholders' equity</b>		
Issued capital	58,413	59,880
Reserves	220	220
Retained earnings	91,483	94,460
<b>Total equity</b>	<b>150,116</b>	<b>154,560</b>
<b>(Loss) / profit for the year</b>	<b>(2,978)</b>	<b>207,841</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>212,973</b>

**(b) Contingent liabilities of the parent entity**

The parent entity has provided financial guarantees in respect of the Bilateral Multi Option Facility ("MOF") with Australia and New Zealand Banking Group. Details of the parent entities contingent liabilities are disclosed in Note 25 – Contingencies.

## 16 Deferred tax assets / (liabilities)

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
<b>The net deferred tax assets/(liabilities) comprise of temporary differences attributable to:</b>		
Tax losses	6,307	10,383
Inventories	17,057	6,425
Accruals	49	489
Employee benefits	208	166
Provisions	2,142	1,440
Property, plant and equipment	216	(86)
Other	424	111
<b>Total deferred tax assets</b>	<b>26,403</b>	<b>18,928</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(14,681)	(7,670)
<b>Net deferred tax assets/(liabilities)</b>	<b>11,723</b>	<b>11,258</b>
Deferred tax assets expected to be recovered within 12 months	6,180	2,496
Deferred tax assets expected to be recovered after more than 12 months	20,223	16,432
	<b>26,403</b>	<b>18,928</b>
<b>The deferred tax liabilities are comprised of:</b>		
Trade debtors	(7,714)	(6,505)
Inventories	(6,784)	-
Other current debtors	(184)	(267)
Prepayments	-	(46)
Equity accounted investments	-	(852)
<b>Total deferred tax liabilities</b>	<b>(14,681)</b>	<b>(7,670)</b>
Set-off by deferred tax assets	26,403	18,928
<b>Net deferred tax assets</b>	<b>11,723</b>	<b>11,258</b>
Deferred tax liabilities expected to be recovered within 12 months	(1,500)	(1,350)
Deferred tax liabilities expected to be recovered after more than 12 months	(13,181)	(6,320)
	<b>(14,681)</b>	<b>(7,670)</b>

	Tax losses	Inventories	Accruals	Employee benefits	Provisions	PPE	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2011</b>	<b>5,478</b>	<b>5,830</b>	<b>139</b>	<b>116</b>	<b>1,728</b>	<b>498</b>	<b>1,720</b>	<b>15,509</b>
(Charged)/Credited								-
- to profit or loss	4,905	595	350	50	(288)	(584)	(1,821)	3,207
- to other	-	-	-	-	-	-	-	-
- to other comprehensive income	-	-	-	-	-	-	212	212
<b>At 30 June 2012</b>	<b>10,383</b>	<b>6,425</b>	<b>489</b>	<b>166</b>	<b>1,440</b>	<b>(86)</b>	<b>111</b>	<b>18,928</b>
(Charged)/Credited								-
- to profit or loss	(4,076)	10,632	(443)	42	702	302	255	7,414
- to other	-	-	3	-	-	-	-	3
- to other comprehensive income	-	-	-	-	-	-	59	59
<b>At 30 June 2013</b>	<b>6,307</b>	<b>17,057</b>	<b>49</b>	<b>208</b>	<b>2,142</b>	<b>216</b>	<b>425</b>	<b>26,404</b>



**17 Trade and other payables**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Trade payables*	6,251	12,704
Accrued expenses	18,115	13,285
Other payables#	620	1,029
<b>Total current payables</b>	<b>24,986</b>	<b>27,018</b>
<b>Non-current liabilities</b>		
Other payables^	1,069	3,104
<b>Total non-current payables</b>	<b>1,069</b>	<b>3,104</b>
<b>Total Payables</b>	<b>26,055</b>	<b>30,122</b> *

Includes \$3.0 million (30 June 2012: 10.7 million) payable for the purchase of inventory, due within 12 months of the reporting date

# Includes deferred finance charge of \$0.4 million (30 June 2012: \$0.2 million).

^ Includes derivatives payable of \$0.9 million

**(a) Derivative financial instruments**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to Note 23 – Financial Risk Management). The gain or loss from remeasuring is transferred to the profit and loss when the hedge is ineffective. The \$50 million swap which expired on 7 June 2012 was treated as ineffective in the prior year.

*Interest rate swap contracts – cash flow hedges*

The "Multi-Option" bank facility for the Group bears an average variable interest rate of 7.68% (including line and facility fees).

It is policy to protect part of the Bilateral Multi Option Facility of \$110 million from exposure to fluctuating interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Interest payments for interest rate swaps are net settled every 30 days.

The interest rate swap contract in place is referred to in the table below:

	Amount hedged	Expiry date	Loan facility	Percent hedged #	Fixed rate*	Variable rate as at 30-Jun-13^*	Valuation as at 30-Jun-13
<b>Interest rate swap</b>	<b>\$'000</b>		<b>\$'000</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>
Multi Option facility ANZ-Swap	70,000	7-Jun-15	110,000	63.6	3.5	3.2	940

^ Variable rate is 30 day BBSY @ 30 June 2013

\* The swap rate outlined above does not include any margin and line fees applicable under the loan agreements.

# % of loan facility limit.

At 30 June 2013, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

<b>Liabilities</b>	<b>Level 2</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Financial liabilities at fair value through profit and loss:</i>		
Derivatives used for hedging	(940)	(744)
<b>Total liabilities</b>	<b>(940)</b>	<b>(744)</b>

At balance date, these contracts were liabilities with fair value of \$0.9 million (30 June 2012: \$0.7 million).

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There is no ineffectiveness for the year ended 30 June 2013. In the prior year the swap the gain or loss from remeasuring is transferred to the profit and loss when the hedge is ineffective. The \$50 million swap which expired on 7 June 2012 was treated as ineffective in the prior year.

**18 Borrowings**

	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
<i>Floating Rate</i>			
Expiring beyond one year	18(a)	29,307	24,917
		29,307	24,917

**(a) Financing arrangements**

Access was available at balance date to the following lines of credit:

	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
<b>Total Financing facilities</b>			
Bilateral loan (secured) (i)		110,000	110,000
		110,000	110,000
<b>Facilities utilised at reporting date</b>			
Loan (secured) (i)		71,040	74,166
		71,040	74,166
<b>Bank guarantees utilised at reporting date</b>			
Loan (secured) (i)		9,653	10,917
		9,653	10,917
<b>Facilities unutilised at reporting date</b>			
Loan (secured) (i)	23 (c)	29,307	24,917
		29,307	24,917

**(i) Bilateral loan facilities**

On the 4 June 2013, the Group negotiated an extension of its primary banking facility of \$110 million with ANZ, due to expire on 1 September 2014. This facility has been extended for a further two year period and now expires on 1 September 2016.

The facility limit remains at \$110 million (inclusive of bank guarantees and working capital). As at 30 June 2013, the facility was drawn exclusive of bank guarantees at \$71.0 million (30 June 2012: \$74.2 million). Bank guarantees issued total \$9.7 million (30 June 2012: \$10.9 million) and are disclosed in Note 25 – Contingencies.

The impairments of \$25.6 million would have given rise to a technical breach in one financial covenant as at 31 December 2012 and 30 June 2013, however the Group has been granted a waiver of this breach from ANZ effective 31 December 2012. No restrictions have been imposed on this facility by the financier during the year ending 30 June 2013 and drawdowns continue to be made in the ordinary course of business. All remaining covenants under the facility were met within the required timeframes during the year.

Interest is payable based on a margin over bank bill swap rate. During the 2012 financial year the Group entered into interest rate swap contracts to fix the interest rate at 3.5% (excluding any margin and line fees applicable under the loan agreement) on \$70 million of borrowings. Refer to Note 17(a) – Derivative financial instruments.

The fair value of non-current borrowings and the bank guarantees equals their carrying amount, as the impact of discounting is not significant.

**(b) Assets pledged as security**

The facility is secured by registered mortgage over the majority of the Group's property inventories. The facility is also secured by mortgage debentures over all assets and undertakings of Villa World Limited and all 100% owned subsidiaries. The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	30-Jun-13	30-Jun-12
	\$'000	\$'000
<b>Secured by registered mortgage:</b>		
Inventories	168,338	173,591
Property, plant and equipment	961	1,016
	169,299	174,607

**19 Provisions**

	<b>Consolidated</b>	
	<b>30-Jun-13</b>	<b>30-Jun-12</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Service Warranties	5,900	4,581
Other provisions	635	211
Employee benefits - annual leave and long service leave	410	377
<b>Total current provisions</b>	<b>6,945</b>	<b>5,169</b>
<b>Non-current liabilities</b>		
Employee benefits - long service leave	238	177
Other provisions	233	7
<b>Total non-current provisions</b>	<b>471</b>	<b>184</b>
<b>Total provisions</b>	<b>7,416</b>	<b>5,353</b>

**(a) Service warranties**

Provision is made for the estimated warranty claims in respect of Villa World Developments Pty Ltd built properties which are still under warranty at balance date. These claims are expected to be settled within the statutory warranty period.

**(b) Movements in provisions**

	<b>Service warranties</b>	<b>Other provisions</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated 2013</b>			
<b>Current</b>			
Carrying amount at start of year	4,581	211	4,792
Charged / (credited) to profit or loss			
- additional provisions recognised	2,911	424	3,335
- unused amounts reversed	-	-	-
Amounts incurred and charged	(1,592)	-	(1,592)
<b>Carrying amount at end of year</b>	<b>5,900</b>	<b>635</b>	<b>6,535</b>

	<b>Service warranties</b>	<b>Other provisions</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated 2012</b>			
<b>Non-Current Liabilities</b>			
Carrying amount at start of year	-	7	7
Charged / (credited) to profit or loss			
- additional provisions recognised	-	226	226
<b>Carrying amount at end of year</b>	<b>-</b>	<b>233</b>	<b>233</b>

**(c) Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. The long service leave provision of \$94,456 (30 June 2012: \$78,319) is classified as current, since the group does not have an unconditional right to defer settlement for this obligation. The non-current long service leave provision covers conditional entitlements where employees have not completed their required period of service, adjusted for the probability of likely realisation.

**(d) Legal Claim**

Home warranty claim – Thornleigh

A claim of \$6.78 million has been made against the Group in respect of damages regarding project development defects, concerning a development in Thornleigh, NSW, known as Wild Ash Grove. This was first disclosed in detail in the annual report for the year ended 30 June 2010 as a contingent liability.

Provisions for the home warranty claim have been raised in the balance sheet based on best estimates. Estimating this provision requires the exercise of significant judgement and it is therefore possible that actual amounts may differ from this estimate. The information in relation to provisions usually required by AASB137 Provisions, Contingent Liability and Contingent Assets is not disclosed on the grounds that it is expected to prejudice the outcome of the potential claim.

**20 Contributed equity**

	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
	Shares	Shares	\$'000	\$'000
<b>Issued Capital</b>				
<b>Ordinary shares fully paid</b>				
Beginning of the financial year	75,223	85,374	383,592	392,036
Sale of Treasury shares	-	58	-	76
Share buy-back	(1,684)	(10,209)	(1,466)	(8,520)
Shares issued to unitholders of the trust <sup>1</sup>	-	79,479	-	-
Share consolidation <sup>2</sup>	-	(79,479)	-	-
<b>End of the financial year</b>	<b>73,539</b>	<b>75,223</b>	<b>382,126</b>	<b>383,592</b>

<sup>1</sup> Share Buy-back as at 30 June 2012.

<sup>2</sup> On 22 November 2011, a special resolution was passed at Villa World Annual General Meeting, approving the Corporatisation Deed which sanctioned the de-stapling for the Company and the Trust.

**(a) Terms and conditions***Ordinary Shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote. Ordinary shares have no par value and Villa World Limited does not have a limited amount of authorised capital.

*Dividend reinvestment plan*

Villa World Limited has established a Dividend Reinvestment Plan (DRP) and shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid in cash. The DRP has been suspended since 6 March 2008.

*Options*

Information relating to the Villa World Limited, including details of options issued, exercised and lapsed during the financial year, is set out in Note 32 – Share based payments and in the Remuneration report on page 11.

*Share buy-back*

On 28 June 2011 the Group announced an on-market buy-back of ordinary shares to commence in July 2011. On 25 October 2012 at the AGM, a resolution was passed to refresh the Group's flexibility to buy-back a further 10% of the Group's shares on-market. During the financial year ended 30 June 2013 1,684,469 (30 June 2012: 10,150,368) shares were acquired at an average price of 86.81 (2012: 83.9) cents per share with prices ranging from 74.5 cents to 105.0 cents per share (30 June 2012: 75.5 cents to 90.0). The total cost of \$1.47 million (30 June 2012: \$8.5 million), includes \$3,512 (30 June 2012: \$26,000) of after tax transaction costs was deducted from ordinary shareholder equity.

**(b) Capital risk management**

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total tangible assets adjusted for cash on hand. Total debt is calculated as borrowings (including "interest bearing liabilities" and "other financial commitments" as shown in the balance sheet). Total tangible assets are calculated as total assets less intangible assets.

During the financial year ended 30 June 2013, the Group continued to manage debt levels and the gearing ratio. As at 30 June 2013, the gearing ratio was 24.7% (30 June 2012: 27.6%).

The Group has complied with the financial covenants of its borrowing facilities during the 2013 and 2012 reporting periods. The impairments of \$25.6 million would have given rise to a technical breach in one financial covenant as at 31 December 2012 and 30 June 2013, however the Group has been granted a waiver of this breach from ANZ effective 31 December 2012.

	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
Total borrowings (excluding bank guarantees)	18	71,040	74,166
Less cash	9	(15,350)	(2,820)
		<b>55,690</b>	<b>71,346</b>
Total assets		240,643	260,870
Less cash	9	(15,350)	(2,820)
		<b>225,293</b>	<b>258,050</b>
Gearing ratio		24.7%	27.6%

**21 Other reserves and retained profits**

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
<b>Hedging reserve – cash flow hedges</b>			
Balance 1 July		(521)	(27)
Revaluation – gross	17(a)	(195)	(744)
Deferred tax	8(c)	59	223
Transfer to net profit – gross		-	38
Deferred tax	8(c)	-	(11)
<b>Balance 30 June</b>		<b>(657)</b>	<b>(521)</b>
<b>Share-based payments reserve</b>			
Balance 1 July		220	-
Options issued to employees		-	220
<b>Balance 30 June</b>		<b>220</b>	<b>220</b>
<b>Accumulated losses</b>			
Balance 1 July		(232,062)	(240,269)
Net profit/(loss) for the year		(13,494)	8,207

*(i) Hedging reserve – cash flow hedges*

The hedging reserve is used to record gains and losses on an effective hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts accumulated in equity are reclassified to profit and loss in the period when the associated hedged transaction affects profit and loss (for instance when the forecast transaction that is hedged takes place).

*(ii) Share-based payments reserve*

The share-based payments reserve represents the fair value of options issued to executives in the prior financial period. These options have been cancelled refer Note 32 – Share-based payments.

**22 Dividends**

	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
<b>Franked dividends:</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2012: 30%)	19,106	18,570

The above amounts represent the balance of the franked account as at the reporting date, adjusted for:

- (i) franking credits that will arise from the payment of the amount of the provision for income tax;*
- (ii) franking debits that will arise from the payment of the dividends recognised as a liability at the reporting date; and*
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.*

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as franked dividends.

No dividends were paid or declared to shareholders during the years ending 30 June 2013 and 30 June 2012.

**23 Financial risk management**

The Group's activities expose itself to a variety of financial risks:

- market risk (including interest rate risk)
- liquidity risk
- credit risk

It is the responsibility of the Board and management to ensure that adequate risk identification, assessment and mitigation practices are in place for the effective oversight and management of these risks.

The Group's overall risk management program focuses on the unpredictability of financial markets, is managed centrally to ensure alignment of financial risk management with corporate objectives and seeks to minimise potential adverse effects on the financial performance of the Group.

**23 Financial risk management (continued)**

The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, aging analysis for credit risk.

Financial risk management is carried out by the finance department under policies approved by the Board. The Board provides written principles for overall risk management as well as written policies covering specific items, such as mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

**(a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial asset or financial liability will fluctuate because of changes in market prices. Market risk comprises price risk and interest rate risk.

**(i) Cash flow and fair value interest rate risk**

The Group does not have exposure to equity investments publicly traded on the ASX. The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group policy is to maintain \$70 million of its borrowings fixed by way of interest rate swaps. During the current and prior financial years, the Group's borrowings at variable rate were denominated in Australian dollars.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2013		30 June 2012	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bilateral loan facilities	7.68%	71,040	8.48%	74,166
Interest rate swaps - syndicated loans <sup>1</sup>	3.50%	(70,000)	3.50%	(70,000)
<b>Net exposure to cash flow interest rate risk</b>		<b>1,040</b>		<b>4,166</b>

<sup>1</sup> Excludes margin & line fees

An analysis by maturities is provided in (c) below.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange at specified intervals the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

**Group sensitivity**

At 30 June 2013, if interest rates had changed by +/- 25 basis points from the year end rates with all other variables held constant, post-tax losses for the year rounded to the nearest thousand, would have been \$0.50 million lower/higher (30 June 2012: \$0.65 million lower/higher), mainly as a result of higher/lower interest expense from interest bearing liabilities.

**(b) Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "AA-" are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on the table below.

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the consolidated entity. The Group's assets are primarily investment and development properties, it has limited exposure to credit risks.

The Group has no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis. Ongoing checks are performed by management to ensure that settlement terms detailed in individual contracts are adhered to. The Group generally holds collateral in the form of deposits over development assets until completion. The Group does not pass clear title to properties sold until they have been paid in full.

The Group's borrowings are concentrated to a single credit provider being the Australian and New Zealand Banking Group. The Board have considered this risk and believes that the financial benefit obtained from using a single AA- rated credit provider outweighs any exposure to concentration risk.

The credit risk associated with receivables from joint venture entities is monitored through management's review of project feasibilities and the Group's ongoing involvement in the operations of those entities.

**23 Financial risk management (continued)**

	Consolidated	
	30-Jun-13	30-Jun-12
	\$'000	\$'000
<b>Trade receivables</b>		
Counterparties without credit rating		
Group 1 <sup>^</sup>	25,557	18,792
<b>Total trade receivables</b>	<b>25,557</b>	<b>18,792</b>

<sup>^</sup> Group 1 - This group of receivables is primarily from the sale of house and land packages and land only.

**Cash at bank and short-term bank deposits**

AA-	15,350	2,820
	<b>15,350</b>	<b>2,820</b>

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

The Group is reliant on the availability of the financing facilities made available to it by its external provider.

*Financing arrangements*

The Group has access to the following undrawn borrowing facilities at the reporting date.

	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
<i>Floating Rate</i>			
Expiring beyond one year	18(a)	29,307	24,917
		<b>29,307</b>	<b>24,917</b>

*Maturities of financial liabilities*

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30-Jun-13</b>							
Real estate purchases deferred payments	6,870	9,309	19,905	9,714	-	45,798	3,401
Trade Payables	6,251	-	-	-	-	6,251	6,251
Bank guarantees <sup>1</sup>	9,653	-	-	-	-	9,653	9,653
Bilateral loan facility	2,344	2,344	4,689	71,043	-	80,420	71,040
<b>Total non derivatives</b>	<b>25,118</b>	<b>11,653</b>	<b>24,594</b>	<b>80,757</b>	<b>-</b>	<b>142,122</b>	<b>90,345</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	-	-	-	(940)	-	(940)	(940)
<b>Total derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(940)</b>	<b>-</b>	<b>(940)</b>	<b>(940)</b>

<sup>1</sup> While the bank guarantees are disclosed as 6 months or less as this is the earliest period in which they could be called, past practice indicates that this is unlikely to occur.

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30-Jun-12</b>							
Real estate purchases deferred payments	2,000	9,398	2,000	-	-	13,398	13,148
Trade Payables	12,704	-	-	-	-	12,704	25,408
Bank guarantees <sup>1</sup>	10,917	-	-	-	-	10,917	10,917
Bilateral loan facility	2,507	2,507	5,014	74,584	-	84,612	74,166
<b>Total non derivatives</b>	<b>28,128</b>	<b>11,905</b>	<b>7,014</b>	<b>74,584</b>	<b>-</b>	<b>121,631</b>	<b>123,639</b>

<b>Derivatives</b>							
Net settled (interest rate swaps)	-	-	-	(744)	-	(744)	(744)

<sup>1</sup> While the bank guarantees are disclosed as 6 months or less as this is the earliest period in which they could be called, past practice indicates that this is unlikely to occur.

#### (d) Fair value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- inputs other than quoted prices included within level 1 that are observed for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the tables:

	Level 2	
	30-Jun-13	30-Jun-12
<b>Liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial liabilities at fair value through profit and loss:</i>		
Derivatives used for hedging	(940)	(744)
<b>Total liabilities</b>	<b>(940)</b>	<b>(744)</b>

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows.

## 24 Key management personnel disclosures

### (a) Key management personnel compensation

	30-Jun-13	30-Jun-12
	\$	\$
Short term employee benefits	1,412,251	1,516,275
Long-term benefits	57,445	39,169
Post employment benefits	61,842	59,234
Share-based payments	(140,773)	192,192
	<b>1,390,765</b>	<b>1,806,870</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 8 - 11.



**24 Key management personnel disclosures (continued)****(b) Equity instrument disclosures relating to key management personnel***(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares on the exercise of such options, together with terms and conditions of the options are disclosed in Note 32 – Share-based payments and Note 30 – Subsequent events.

*Options holdings*

The numbers of options over ordinary shares in the Group held during the financial year by the directors of the Villa World Limited and other key management personnel of the Group, including their personally related parties, are set out below:

	Balance at start of the year	Cancelled	Granted as compensation	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors</b>						
John Potter <sup>1</sup>	2,800,000	(2,800,000)	-	-	-	-
	2,800,000	(2,800,000)	-	-	-	-

<sup>1</sup>John Potter's 2,800,000 options granted during the year ended 30 June 2012 have been cancelled as a result of them not being exercised at the time of his resignation pursuant to his employment agreement with the Group.

*(ii) Cash settled share based payments*

The remuneration structure of key management personnel includes a cash based bonus payment dependent on the achievement of certain performance conditions, market and non-market. This arrangement lapsed without payment on 1 November 2012. Refer to Note 32 – Share-based payments.

*(iii) Share Holdings*

The numbers of shares held during the financial year by each director of the Group and other key management personnel, including their personally related parties, are set out below:

30-Jun-13 Name	Balance at the start of the year		Granted during year		Other changes during the year		Balance at the end of the year	
	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding
<b>Directors</b>								
Craig Treasure	-	2,000	-	-	200,000	498,000	200,000	500,000
Alexander Beard <sup>1</sup>	-	-	-	-	-	-	-	-
Troy Harry	-	1,100,000	-	-	-	-	-	1,100,000
John Potter <sup>2</sup>	-	2,254,738	-	-	-	(2,254,738)	-	-
Richard Anderson <sup>3</sup>	-	51,091	-	-	-	-	-	51,091
<b>Key Management Personnel</b>								
Scott Payten	760	-	-	-	-	-	760	-
Paulene Henderson	-	-	-	-	-	50,050	-	50,050

<sup>1</sup>Alexander Beard is the Managing Director of CVC Limited, which owns 17,593,604 shares (June 2012:15,162,358).

<sup>2</sup>John Potter resigned on the 5 October 2012.

<sup>3</sup>Richard Anderson resigned on the 25 October 2012.

30-Jun-12 Name	Balance at the start of the year		Granted during year		Other changes during the year		Balance at the end of the year	
	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding
<b>Directors</b>								
Craig Treasure	-	-	-	-	-	2,000	-	2,000
Alexander Beard <sup>1</sup>	-	-	-	-	-	-	-	-
Troy Harry	-	600,000	-	-	-	500,000	-	1,100,000
John Potter <sup>2</sup>	-	6,054,737	-	-	-	(3,799,999)	-	2,254,738
Richard Anderson <sup>3</sup>	-	51,091	-	-	-	-	-	51,091
<b>Key Management Personnel</b>								
Scott Payten	760	-	-	-	-	-	760	-
Paulene Henderson	-	-	-	-	-	-	-	-

<sup>1</sup>Alexander Beard is the Managing Director of CVC Limited, which owns 15,162,358 shares as at 30 June 2012.

<sup>2</sup>Craig Treasure was appointed as a Director during the financial year ended 30 June 2012.

**Loans to key management personnel**

For the financial year ended 30 June 2013, there were no loans to key management personnel.

**25 Contingencies****(a) Estimates of material amounts of contingent liabilities not provided for in the financial report**

The Group entities have entered into agreements to indemnify certain employees and former employees against all liabilities that may arise as a result of any claims against them by third parties as a result of the Group's building activities. It is impractical to estimate the amount that may arise from these arrangements.

A controlled entity has contractual arrangements that provide for liquidated damages under certain circumstances. It is impractical to estimate the amount of any liability that may arise from these arrangements.

The Group has provided bank guarantees to the total of \$9.7 million (30 June 2012: \$10.9 million) to authorities and councils in relation to certain works to be undertaken or maintained or in support of contractual commitments.

**(b) Estimates of material amounts of contingent liabilities provided for in the financial report***Other investigation*

The Group is currently investigating potential defects relating to a development. Based on investigations to date, the Group believes that any potential liability may be off-set by a corresponding claim against a third party supplier and other relevant parties, in addition to indemnification from the parties' insurers including those held by the Group itself. This potential claim arising from this investigation is identified as a contingent liability.

Provisions have been raised in the balance sheet based on best estimates of the ongoing costs to be incurred in progressing this investigation only. Estimating this provision requires the exercise of significant judgement and it is therefore possible that actual amounts may differ from this estimate. The information in relation to provisions usually required by AASB137 Provisions, Contingent Liability and Contingent Assets is not disclosed on the grounds that it is expected to prejudice the outcome of the potential litigation.

**(c) Contingent liabilities in respect of other entities**

The Group has provided guarantees in respect of the loan facility for the Eynesbury joint venture. The special conditions of the debt facility limit the maximum principal amount recoverable from the Group to 50% of the principal outstanding, interest and reasonable costs. As at 30 June 2013, the Eynesbury facility (at 100%) was drawn to \$27 million and \$1.2 million of bank guarantees were issued (30 June 2012: \$32.8 million and \$1.3 million bank guarantee).

**26 Commitments****(a) Capital commitments**

Villa World Developments Pty Ltd, a wholly owned subsidiary of Villa World Limited, assumed certain contractual obligations in conjunction with the execution of Put and Call Option Agreements (the Agreements) in relation to the acquisition of individual subdivided lots in property developments to the north of Brisbane.

The put option gives Villa World Developments Pty Ltd (or a third party) the option to purchase the lot(s) at a nominated price by a sunset date. The call option gives the vendor the right to sell to the Group at a nominated price on expiry of the put option sunset date. The potential total commitments remaining under the agreements are \$43.8 million. The commitments are crystallised on registration of the land by the vendor and will be made available on a stage by stage basis. However, the Agreements are severable by development stage and the commitments may be less than the total commitments under the Agreements as outlined above.

At reporting date, lots for which registration has taken place has crystallised a commitment payable by the Group of \$19.4 million, with a balance payable of \$1.4 million.

**(b) Lease commitments***(i) Non-cancellable operating leases*

The Group has a lease on office space under a non-cancellable operating lease expiring 8 January 2019. The lease has varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

	30-Jun-13 \$'000	30-Jun-12 \$'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	226	141
Later than one year but not later than five years	1,029	635
Later than five years	111	269
	<b>1,366</b>	<b>1,045</b>

**27 Related party transactions****(a) Parent entity**

Villa World Limited is the parent entity within the Group and is the ultimate Australian parent entity.

**(b) Subsidiaries**

Interests in subsidiaries are set out in Note 28 – Subsidiaries.

**(c) Key management personnel**

Disclosures for key management personnel are set out in the Note 24 – Key management personnel disclosures. There were no transactions between key management personnel and any related parties.

**27 Related party transactions (continued)****(d) Loans to/from related parties**

	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
<b>Loans to joint ventures</b>			
Balance at the beginning of the year		24,287	27,128
Advances		-	885
Repayments		(1,166)	(6,439)
Equity contribution to joint venture		-	2,713
Less: Reclassification of Non Current Receivable to Equity Accounted Investments		(23,121)	-
<b>Balance at the end of the year</b>		<b>-</b>	<b>24,287</b>
<b>Loans from joint ventures</b>			
Balance at the beginning of the year		-	571
Repayments		-	(571)
<b>Balance at the end of the year</b>		<b>-</b>	<b>-</b>
<b>Net balance at the end of the year</b>		<b>-</b>	<b>24,287</b>
<b>Loans to / from joint ventures</b>			
Loans to joint ventures - current asset		-	1,166
Loans to joint ventures - non-current asset		28,968	28,968
Provision for impairment loss		(5,847)	(5,847)
Less: Reclassification of Non Current Receivable to Equity Accounted Investments		(23,121)	-
<b>Net loans to joint ventures</b>		<b>-</b>	<b>24,287</b>

**28 Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c). All subsidiaries are incorporated in Australia.

Name of Entity	Country of incorporation	Class of shares	Equity holding	
			30-Jun-13	30-Jun-12
			%	%
<b>Parent entity</b>				
Villa World Limited				
<b>Controlled entities</b>				
Villa World Trust <sup>1</sup>	Australia	Ordinary	-	100
Villa World Developments Pty Ltd	Australia	Ordinary	100	100
Villa World Management Limited <sup>2</sup>	Australia	Ordinary	-	100
GEO Planning Pty Ltd <sup>2</sup>	Australia	Ordinary	-	100
GEO Realty Pty Ltd <sup>2</sup>	Australia	Ordinary	-	100
Villa World (Vic) Pty Ltd	Australia	Ordinary	100	100
GPDQ Pty Ltd	Australia	Ordinary	100	100
Hervey Bay (JV) Pty Ltd	Australia	Ordinary	100	100
Cornell's Hill Pty Ltd <sup>3</sup>	Australia	Ordinary	100	50
Cotton Ventures Pty Ltd <sup>3</sup>	Australia	Ordinary	100	50

<sup>1</sup> The trust was wound up 10 March 2013.

<sup>2</sup> Villa World Management Pty Ltd, GEO Planning Pty Ltd and GEO Realty Pty Ltd were de-registered on the 7 November 2012, 27 March 2012 and 11 January 2012 respectively.

<sup>3</sup> On the 29 November 2012 Villa World Developments Pty Ltd purchased the remaining 50% in Cotton Ventures Pty Ltd and Cornell's Hill Pty Ltd to give the Group full ownership of both companies (Refer Note 29).

**29 Interest in joint ventures**

The Group has the following interests in jointly controlled entities.

Name of Entity	% Owned	Purpose
Eynesbury Holdings Pty Ltd	50	The owner of the Eynesbury Development Joint Venture Land, Victoria, as Trustee
Eynesbury Pastoral Trust	50	The owner of the Eynesbury Development Joint Venture Land, Victoria.
Eynesbury Golf Pty Ltd	50	The operation of the golf course and homestead hospitality facilities at Eynesbury, Victoria.
Eynesbury Development Joint Venture	50	Residential development at Eynesbury, Victoria.
Expression Homes Pty Ltd	50	Residential development and construction projects primarily in Victoria.

The carrying amounts of these joint ventures at balance date were:

Joint venture interests	Notes	Consolidated	
		30-Jun-13	30-Jun-12
		\$'000	\$'000
Eynesbury Pastoral Trust		6,573	7,073
Eynesbury Development Joint Venture		2,082	522
Eynesbury Golf Pty Ltd		1,074	1,074
Plus: Reclassification from non current receivable to equity accounted investments	10	23,121	-
Less: Share of net (loss)/profits of associates and joint ventures		(17,448)	1,060
Less: Impairment of investment in Eynesbury Group		(627)	-
Less: Impairment of Eynesbury Golf Pty Ltd		(1,074)	(1,074)
<b>Total investment accounted for using the equity method for the Eynesbury Group</b>		<b>13,701</b>	<b>8,655</b>
Cornell's Hill Pty Ltd		-	621
Cotton Ventures Pty Ltd		-	427
		<b>13,701</b>	<b>9,703</b>

**Villa World's aggregate share of joint ventures' assets and liabilities**

Current assets	31,045	20,246
Non-current assets	2,246	38,279
<b>Total assets</b>	<b>33,291</b>	<b>58,525</b>

Current liabilities	3,430	9,773
Non-current liabilities	41,403	44,620
<b>Total liabilities</b>	<b>44,833</b>	<b>54,393</b>
<b>Net assets</b>	<b>(11,542)</b>	<b>4,132</b>

**Villa World's aggregate share of joint ventures' revenue, expenses and results**

Revenues	5,687	24,250
Expenses	23,135	22,591
<b>Profit / (loss) before income tax</b>	<b>(17,448)</b>	<b>1,659</b>

**Villa World's aggregate share of joint ventures' contingent liabilities**

Bank guarantees	1,247	1,793
-----------------	-------	-------

Each of the venturers in the joint venture are jointly and severally liable for the debts of the joint venture, except for the Eynesbury Pastoral Trust and Eynesbury Joint Venture, which are severally liable to the extent of the venture interest.

In relation to the Eynesbury Joint Venture, where an agreement involves the venturers in joint or joint and several liability, each venturer must indemnify and keep indemnified the other party for any liabilities incurred by that venturer under the Venture Agreement in excess of that proportion of the total liabilities under the Venture Agreement which corresponds to the other venturer's venture interest.

**30 Events subsequent to balance date****(a) Sale of the Underlying Assets in the Eynesbury Group**

Villa World advised the market, via an ASX announcement on 20 August 2013, that contracts for the sale of the Eynesbury project, in which Villa World holds a 50% interest, are now unconditional.

The sale to Hyde Property Group Pty Ltd includes all undeveloped land, as well as the Eynesbury golf course land and business, for a total sale price of \$60 million (plus GST). Completion is due in two tranches, the first on 1 March 2014 and the second on 1 March 2015.

The purchaser has paid a non-refundable deposit of \$1 million, with a further \$5 million payable by 18 November 2013.

As a result of the sale becoming unconditional, the carrying value of Villa World's investment in Eynesbury Joint Venture as at 30 June 2013 has been assessed at \$13.7 million (compared to \$12.8 million at 31 December 2012).

The carrying value represents the net present value of the sales proceeds expected to be received by Villa World from this transaction.

The timing of distribution of those proceeds to Villa World and its JV partner is subject to completion of the contracts occurring when scheduled, and further discussions with the Joint Venture's financier.

The completed inventory at the Eynesbury project will be retained by the Joint Venture and will continue to be sold to end users.

**30 Events subsequent to balance date (continued)****(b) Employee Option Plan**

The grant of options over ordinary shares in Villa World Limited to the Executive Chairman and Managing Director, Craig Treasure, was approved by shareholders at a general meeting on 22 July 2013. The issue of options is designed to provide long term incentives for the Executive Chairman and Managing Director to deliver long term shareholder returns.

Subsequent to the financial year end, the board have also approved the issue of options over ordinary shares in Villa World Limited to key management personnel. Under the plan, granted options will only vest if the executive chairman and key management personnel continue their respective service agreements with the Group for three years from grant date.

The assessed fair value at grant date of options is 10 cents per option. The fair value at grant date is independently determined using a Binomial Option Price Valuation Model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted include:

- (i) options are granted for no consideration and vested options are exercisable for a period of 6 months after vesting
- (ii) exercise price: \$1.25
- (iii) grant date: 26 July 2013
- (iv) expiry date: 26 January 2017
- (v) share price at grant date: \$1.25
- (vi) expected price volatility of shares: 25%
- (vii) expected dividend yield: 9%
- (viii) risk free rate: 2.57%

The volatility assumption is representative of the level of uncertainty expected in the movements of the share price over the life of the award. The historic volatility of the market price of the share and the mean reversion tendency of volatilities are the two factors which are assessed when determining the expected volatility.

Set out below is a summary of the terms and conditions of each grant of options under the plan which will effect remuneration in the future reporting period:

		Grant Date	Expiry Date	Exercise Price	Granted as compensation	Value of options at grant date <sup>^</sup>
Craig Treasure	Executive Chairman	26/07/2013	26/01/2017	\$1.25	3,000,000	\$300,000
Scott Payten	Chief Operating Officer	26/07/2013	26/01/2017	\$1.25	750,000	\$75,000
Paulene Henderson	Chief Financial Officer	26/07/2013	26/01/2017	\$1.25	250,000	\$25,000

<sup>^</sup> The value of options at grant date calculated in accordance with AASB2 *Share-based Payment* of options granted 26 July 2013 is 10 cents per option.

No other matters have arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs, in future financial years.

**31 Reconciliation of profit after income tax to net cash inflow from operating activities**

	Consolidated	
	30-Jun-13	30-Jun-12
	\$'000	\$'000
Profit/(loss) for the year	(13,494)	8,207
Depreciation and amortisation	363	331
Capitalised interest & fees	3,105	2,601
Borrowing costs	344	1,984
Net (gain)/loss on disposal of investment properties	-	41
Net (gain)/loss in fair value of investment properties and other assets	-	610
Net (gain)/loss on disposal of property, plant and equipment	14	56
Share of (gain)/loss from associate	17,435	(1,438)
Impairment of investment in equity accounted investments	627	-
Hedge ineffectiveness on interest rate swaps	-	(1,024)
Impairment of development land	10,149	700
(Increase)/decrease in trade debtors	(7,886)	(11,497)
Decrease/(increase) in inventories	11,435	(16,680)
(Decrease)/increase in payables	(5,379)	593
(Increase)/decrease in net deferred tax assets	(406)	(99)
Decrease/(increase) in other operating assets and liabilities	765	855
Increase/(decrease) in other provisions	94	167
<b>Net cash inflow / (outflow) from operating activities</b>	<b>17,166</b>	<b>(14,591)</b>

**32 Share-based payments****(a) Employee option plan**

John Potter resigned as Managing Director on the 5 October 2012 at which time he held 2,800,000 options. These options have been cancelled as a result of them not being exercised pursuant to his employment agreement.

A Group Executive resigned on the 21 December 2012 at which time he held 400,000 options. These options have been cancelled as a result of them not being exercised pursuant to the consultancy agreement with the Group.

*(i) Options issued during and subsequent to this financial year*

No options were granted during the financial year.

The grant of options over ordinary shares to the Executive Chairman was approved by shareholders at a general meeting on 22 July 2013. The Board also approved the grant of option to key management personnel after the end of the financial year. (Refer Note 30 – Events subsequent to balance date).

**(b) Expenses arising from share-based payment transactions**

The employment contracts of Scott Payten and Paulene Henderson provide for guaranteed cash settled share based bonus (no Board discretion). The value of the bonus is equal to the volume weighted average price paid for each Villa World share for the 10 trading days prior to 1 November 2012 less \$1.00 multiplied by 1,000,000 (approved 16 December 2009) for Scott Payten, and 200,000 (approved 15 November 2010) for Paulene Henderson. The value of this bonus was \$140,773. The cash settled share- based bonus for Scott Payten and Paulene Henderson lapsed without payment on the 1 November 2012.

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as follows:

	30-Jun-13	30-Jun-12
	\$	\$
Options issued to Directors	-	219,648
Fair value of cash settled share based payments for key management personnel	(140,773)	-
	(140,773)	219,648

**33 Segment information****Description of segments**

Management has determined the segments based on the reports reviewed by the executive committee that are used to make strategic decisions.

The Group and its controlled entities develop and sell residential land and buildings predominately in Queensland and Victoria. The individual operating segments of each geographical area have been aggregated on the basis that they possess similar economic characteristics and are similar in nature of the product and production processes.

The committee considers the business from both a product, and within Australia, a geographical perspective and has identified two reportable segments:

- *Property development and construction – Queensland*
- *Property development – Victoria*

The executive team considers a range of information relating to the reportable segments including:

- *Historical results of the segment, using both revenue and gross margin;*
- *Future forecasts of the segment for the remainder of the year; and*
- *Key risks and opportunities facing the segments.*

**(a) Segment information provided to the executive committee***(i) Segment revenue*

The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the income statements. Revenues from external customers are derived from the sale of residential house and land products.

*(ii) Segment gross margin*

The executive committee assesses the performance of the operating segments based on a measure of gross margin. This measurement basis consists of revenue less land, development, construction and sundry costs. It excludes the effects of non-recurring expenditure from the operating segments such as fair value impairments on inventory and other assets.

The segment information provided to the executive committee for the reportable segments for the year ended 30 June 2013 is as follows:

**33 Segment information (continued)**

	Notes	Consolidated	
		30-Jun-13 \$'000	30-Jun-12 \$'000
<b>From continuing operations</b>			
<b>Segment revenue from land development, residential building and construction contracts</b>			
Queensland		143,224	115,364
Victoria		26,172	31,136
Other		-	-
<b>Total segment revenue from land development, residential building and construction contracts</b>	<b>4</b>	<b>169,396</b>	<b>146,500</b>
<b>Segment cost of land development, residential building and construction contracts</b>			
Queensland		103,429	89,494
Victoria		18,098	18,782
Other		874	1,272
<b>Total segment cost of land development, residential building and construction contracts</b>	<b>5</b>	<b>122,401</b>	<b>109,548</b>
<b>Segment gross margin</b>			
Queensland		39,795	25,871
Victoria		8,074	12,354
Other		(874)	(1,272)
<b>Total segment gross margin</b>		<b>46,995</b>	<b>36,952</b>

Segment assets and liabilities are not directly reported to the executive committee when assessing the performance of the operating segments and are therefore not relevant to the disclosure.

**34 Discontinued operations****Description**

In 2009, the Group announced through several ASX announcements of its intention to sell down the assets in the Trust to reduce the level of debt for the Group and to concentrate on the land development, residential building and construction contracts. As a result, the Trust segment was classified as a disposal group held for sale in the income statement and balance sheet.

During the 2012 financial year the last remaining asset was sold. No further assets in relation to discontinued operations are now held, hence there is no change to the investment properties classified as a disposal group since the 2012 annual report.

Financial information relating to the disposal group for the period is set out further below:

(a) Financial performance and cash flow information	Consolidated	
	30-Jun-13 \$'000	30-Jun-12 \$'000
Revenue	-	1,040
Expenses	-	(99)
<b>Net income from discontinued operations</b>	<b>-</b>	<b>941</b>
Net gain / (loss) on disposal of investment properties	-	(43)
Net gain / (loss) in fair value of investment properties	-	(610)
<b>Net profit before income tax</b>	<b>-</b>	<b>288</b>
<b>Profit from discontinued operations after income tax</b>	<b>-</b>	<b>288</b>
Net cash inflow / (outflow) from operating activities	-	952
Net cash inflow / (outflow) from investing activities	-	6,950
<b>Net increase / (decrease) in cash generated by the discontinued operation</b>	<b>-</b>	<b>7,902</b>

**Villa World Limited**

**Directors Declaration**

**30 June 2013**

In the directors' opinion,

- (a) the financial statements and notes, set out on pages 18 to 53 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated Group's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the executive chairman and managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Craig Treasure  
Executive Chairman and Managing Director

Gold Coast  
26 August 2013





## **Independent auditor's report to the members of Villa World Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Villa World Limited (the company), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Villa World Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



### *Auditor's opinion*

In our opinion:

- (a) the financial report of Villa World Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Villa World Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Michael O'Donnell'.

Michael O'Donnell  
Partner

Brisbane (Riverside Centre)  
26 August 2013

## ASX additional information

Additional information requested by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report are set out below:

### Shareholdings (as at 26 August 2013)

The following holds were listed in the register of substantial shareholders;

	No of shares held
CVC Limited	17,593,104
John Leaver and related interests	9,798,774

### On-market buy-back

On 25 October 2012, shareholders gave approval for the Company to buy-back up to 15,000,000 shares in the 12 month period following that date. During the financial year, 1.7 million shares were purchased up to 26 August 2013 for a consideration of \$1.5 million.

### Distribution of shareholders (as at 26 August 2013)

Category	No of shareholders
1 - 1,000	695
1,001 - 5,000	1,660
5,001 - 10,000	392
10,001 - 100,000	452
100,001 and over	64
Total	3,263

The total number of shareholders with less than a marketable parcel of 397 shares is 83.

Unquoted equity securities:

Options issued under the Villa World Option Plan to take up ordinary shares, as part of an employee incentive plan, as at 26 August 2013 is 4,500,000.

### Classes of units and voting rights

As at 30 June 2013 there were 3,289 shareholders (30 June 2012: 3,773). The voting rights attaching to the shares, as set out in section 253C of the Corporations Act were:

Subject to any rights or restrictions for the time being attached to any class or classes of share:

- (a) at an adjourned meeting the holders with voting rights who are present either in person or by proxy constitute a quorum and are entitled to pass the resolution; and
- (b) on a show of hands every person present who is a shareholder has one vote and on a poll every present in person or by proxy or attorney has one vote for each share held.

Options:

There are not voting rights attached to the options.

For details of registered office and share registry details refer to page 2 – Shareholder Information.

20 largest shareholders (as at 26 August 2013)	Shares held	% of capital held
CVC LIMITED	17,593,104	23.92
LEAGOU FUNDS MANAGEMENT PTY LIMITED	5,060,358	6.88
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	3,650,000	4.96
WENOLA PTY LIMITED <PENSION FUND A/C>	3,171,306	4.31
J K M SECURITIES PTY LIMITED <LJK NOMS P/L PEN FUND A/C>	2,050,000	2.79
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,946,453	2.65
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	987,804	1.34
HORRIE PTY LTD	850,000	1.16
MANDEL PTY LTD <MANDEL SUPER FUND A/C>	850,000	1.16
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	844,388	1.15
CITICORP NOMINEES PTY LIMITED	807,610	1.10
ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	750,000	1.02
LEITHNER & COMPANY PTY LTD	600,000	0.82
ATKONE PTY LTD	590,000	0.80
DEBUSCEY PTY LTD	567,037	0.77
PLANETTE THOROUGHBRED TRADING PTY LTD	561,000	0.76
MR RICHARD SCHEINBERG	560,000	0.76
TRACIE'S FUTURE PTY LTD	503,370	0.68
CRAIG G TREASURE PTY LTD <TREASURE SUPER FUND A/C>	500,000	0.68
J P MORGAN NOMINEES AUSTRALIA LIMITED	430,107	0.58
	<b>42,872,537</b>	<b>58.30</b>