ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

SUCCESS THROUGH PROPERTY

VILLA WORLD LIMITED ABN 38 117 546 326

SHAREHOLDERS INFORMATION

VILLA WORLD LIMITED

Villa World Limited ABN 38 117 546 326
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Shareholder information and enquiries

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

Computershare Investor Services Pty Limited

Mailing address: GPO Box 2975EE, Melbourne VIC 3000
Telephone: 1300 651 684 or +61 3 9415 4000 (outside Australia)
Fax: +61 3 9473 2500 (within & outside Australia)
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Villa World Info line

Inside Australia: 1300 552 434
Outside Australia: +61 7 5588 8851
Company Secretary: Paulene Henderson

CONTENTS

VILLA WORLD VISION, MISSION AND VALUES

VISION

Villa World's vision is to be the Company of choice for people to achieve success through property.

MISSION

Villa World's mission is to create property solutions where demand meets opportunity as we deliver value and positive experiences across all our relationships.

VALUES

PERFORMANCE

We efficiently deliver effective and quality outcomes to achieve financial objectives.

AGILITY

We are agile in how we run the business, we adapt quickly and initiate change.

INTEGRITY

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

KNOWLEDGE

Our team applies high level skills to achieve positive outcomes.

UNITY

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

RESPECT

We value and appreciate our people, partners and customers.

KEY HIGHLIGHTS

DEVELOPMENT LOTS
32%

REVENUE
40%

NET PROFIT BEFORE TAX
30%

MARKET CAPITALISATION
20%[1]

Portfolio of 5,191 lots representing 5 years sales diversified across and within east coast states

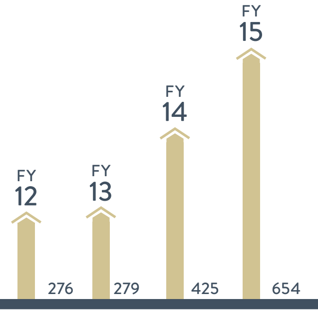
60%
QUEENSLAND
6 CORRIDORS

40%
VICTORIA
3 CORRIDORS

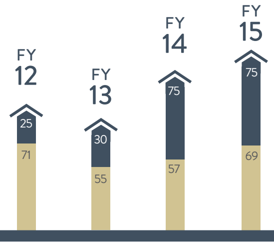
843 SALES FY 2015

Over the last 3 years:

DOUBLED HOUSE PRODUCTION



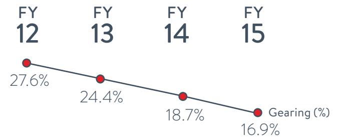
BANKING FACILITY INCREASED TO $180M



Unused facility ($m)

Net Debt (ex bank guarantee) ($m)

CONSERVATIVE GEARING OF 16.9%



With significant headroom / unused capacity

[1] At closing price of $2.24 on 12 August 2015

CHAIRMAN'S REPORT

2015 has been a year of success and the Company is now benefitting from the strategies and vision formulated over the past three years.

A continued focus on implementation of these strategies has cemented Villa World's platform for delivering strong sustainable performance in the years to come.

Villa World is entering its 30th year in 2016 and there is no doubt that we have now come of age. The Company has a strong stable balance sheet and a five year project pipeline centred on high demand locations, setting it up for performance through the property cycles.

On behalf of the Board, I am pleased to report a statutory after tax profit of $25.6 million for the year, up 34% from $19.1 million last year. This result comes off the back of a 40% increase in revenue to $322 million.

The Company has a market capitalisation of $247 million[1], around four times that of three years ago. This strengthening was acknowledged in March 2015 with Villa World's inclusion in the S&P/ASX300 index.

Villa World's credibility and reliability continues to translate to steadily growing dividends. The Board has declared a total dividend of 16 cents per share fully franked for the year, representing an attractive yield for shareholders of 7.1%[1].

> “The Company has a market capitalisation of $247 million[1], around four times that of three years ago. This strengthening was acknowledged in March 2015 with Villa World’s inclusion in the S&P/ASX300 index.”

The strategic direction outlined by the Board and led capably by Managing Director and Chief Executive Officer Craig Treasure has been successfully delivered by Villa World’s experienced and proven senior management team. We have continued to be disciplined and focussed on our core business of low risk development of lots and housing in the affordable to mid-market range.

This approach has delivered strong sales in FY15, particularly in South-East Queensland, and established an increasingly diverse market platform encompassing first home and traditional buyers, investors and a growing down-sizer market. Coupled with a continued positive market outlook, Villa World is well positioned through its strategically located portfolio, strong balance sheet and prudent gearing to be resilient to cyclical market factors.

As the oldest Queensland founded ASX-listed housing development company and one of Australia’s largest land and housing providers, Villa World looks forward to celebrating 30 years as a listed company in 2016 by reaching for the next level. We have the fundamentals in place to maintain earnings momentum and the capacity to fund value accretive acquisitions and restock in key growth locations, underpinning our future profitability.

I would like to acknowledge the valuable contribution of my co-independent directors David Rennick and Gerry Lambert, along with our Managing Director and Chief Executive Officer Craig Treasure and his team.

As more and more Australian families choose Villa World to deliver their new homes, we look forward to sharing success through property in the years ahead.

Mark Jewell
Chairman

[1] At closing price of $2.24 on 12 August 2015

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REVIEW

Villa World is proud to be a part of the lives of more than 35,000 Australians and to share success through property.

Our strong financial performance in FY15 stems from a clear and deliberate focus on the key principles of **relationships** – delivering a positive experience, **performance** – sustained sales, a balanced portfolio and a disciplined approach to delivery, and **growth** – achieving a step change, underpinned by a strong development pipeline and targeted acquisitions.

I acknowledge the work of the Villa World team in supporting the Company's direction through their dedication and enthusiasm. We have been working hard behind the scenes to create the right culture and structure to reflect our customer focused attitude. We are now seeing the benefits of this approach across the four pillars of our business:

PORTFOLIO

Our acquisitions strategy has been a success. We have more product across more markets and a broader price point. Our portfolio of 5,191 lots is up from 2,647 two years ago and an increase of 32% on lot numbers from last year. Importantly, these lots are located within strong growth corridors in Victoria and in the buoyant Queensland market where our housing production doubled over the last three year.

DELIVERY

Through the strength of our operations and our long-term relationship with subcontractors, we have successfully ramped up our outputs, delivering 24% more product in FY15 than we have on average over the three previous years. Importantly, we have doubled our house production over that time. In FY15, we delivered 840 new home sites and built 654 new homes.

Our eight projects released in FY15 attracted strong demand, particularly in Queensland which accounted for 81% of sales this year. Continuing supportive market conditions will reflect the success of our projects in Brisbane's north and bayside and in the south-eastern and northern growth corridors of Melbourne.

SALES

We have put in place a number of strategic initiatives to stretch the price offering and better target customers. This refocussed sales growth strategy has centred on meeting the needs of a diverse customer mix across all ages and stages of life.

We are selling more properties and converting those sales into settlements, resulting in a 40% increase in revenue and contributing to our 30% increase in net profit before tax (FY15:$29.4 million).

Villa World's ability to achieve delivery efficiencies and increase sales momentum is reflected in this year's underlying gross margin[1] of 27% ($86.7 million), which was within the targeted 26% to 29%. Strength in monthly average sales figures – up from 59 per month in the first half year to 82 per month in the second half year – signals growing demand for the Villa World product, with 843 sales during FY15 and a continued upward trajectory towards target 1000 and beyond.

The Company will carry forward 364 sales contracts, worth $134.1 million into FY16. Of these, 349 or $131 million are expected to settle in 1H16, with the balance to settle in the second half. This strong carry forward will be complemented by the release of new projects mid-year to meet sales targets of 1,000 to 1,200 lots in FY16.

> “We are selling more properties and converting those sales into settlements, resulting in a 40% increase in revenue and contributing to our 30% increase in net profit before tax (FY15:$29.4 million).”

CAPITAL STRUCTURE

We have recapitalised to bolster our financial strength and provide the financial agility to take advantage of market opportunities. Our successful capital raising in January 2015, coupled with strong operating cash flows, enabled the Company to continue to acquire land, with outlays of $102.1 million in FY15, while remaining in a strong cash and debt position.

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

The FY15 profit result included provision of $8.9 million for legacy litigation issues, as announced in May 2015, reducing future balance sheet uncertainty.

OUTLOOK

Assuming that consumer confidence is maintained, interest rates remain low and first home buyer incentives remain in place, the outlook for FY16 is one of increased sales strength and the opportunity to achieve strong profit levels.

Our first half result is already looking positive with 364 carried forward sales valued at $134.1 million to contribute to our FY16 result. We will have seven new projects for release - a similar number to FY15 – and expect a strong second half-year sales performance. We will continue to strategically restock the business, spending between $135 - $150 million depending on opportunities available, funded through existing debt and working capital.

Villa World is positioned for consistent, through-the-cycle performance. We will extend our operational performance through further efficiency gains and by maintaining our focus on delivering value for customers. Combined with continued prudent management of our balance sheet, we look forward to welcoming more families to their Villa World home and delivering success through property to our shareholders.

Craig Treasure
CEO and Managing Director

[1] Underlying gross margin is exclusive of provision for litigation. Reported gross margin of $77.8 million (24.2%).

OPERATING FINANCIAL REVIEW

During 2015, the Company continued to build on its previous successes and this year has achieved strong earnings growth, improved shareholder returns and outstanding operating performance.

The Company finished the 2015 financial year with a strong full year result, reporting a statutory net profit after tax of $25.6 million (25.6 cps), a 34% increase on net profit after tax of $19.1 million (21.8 cps) reported for the period ended 30 June 2014. This statutory profit was achieved after making a provision for legacy litigation issues of $8.9 million (FY14: $5.8 million), comprising a provision of $2.4 million incurred in 1H15 largely related to *Thornleigh*, and a $6.5 million provision for *Silverstone* incurred in 2H15.

Revenue increased by 40% to $321.6 million (FY14:$229.5 million) as a result of strong sales during the year, particularly in 2H15, combined with $141.5 million[1] of carried forward sales from FY14. 80% of revenue was generated through house and land product. 90% of revenue came from Queensland projects.

At an operational level, sales momentum gathered through the year and exceptional delivery of land and housing resulted in 816 accounting settlements in FY15 (FY14: 721).

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

The average revenue per house and land lot increased from $402,000 to $414,000, largely due to a high level of settlements in Brisbane's North and Bayside suburbs, which offer a higher price point product. At select estates, namely *Mt Cotton*, *Park Vista*, *Circa* and *Cascades*, average revenue rose between 3 – 5% year on year.

Average revenue per land only lot lifted significantly from $230,000 to $332,000, due to a greater portion of land only settlements coming from our premium land only projects, *Astonbrook*, *Seaside*, *Locosi Hill* and *Waterline*.

Over the course of the year, civil costs have remained steady; however building costs have risen by 3% - 4%. Access to building supplies, civil contractors, sub-contractors and labour has remained steady.

PERFORMANCE	FY15	FY14	CHANGE
Number of projects contributing to profit	20	13	▲ 54%
Revenue - property sales	321.6	229.5	▲ 40%
House & Land	258.7	179.9	▲ 44%
Land Only	62.9	49.5	▲ 27%
Settlements (lots) - inc Joint Ventures	816	721	▲ 13%
Settlements (lots) - ex Joint Ventures	814	662	▲ 23%
House & Land	625	447	▲ 40%
Land Only	189	215	▼ -12%
Revenue - property sales ($k/Lot)	395.2	346.7	▲ 14%
House & Land	414.1	402.6	▲ 3%
Land Only	332.7	230.4	▲ 44%
Gross Margin $m	77.8	56.8	▲ 37%
Margin (%)	24.2%	24.8%	▼ -2%
Underlying Gross Margin $m	86.7	62.7	▲ 38%
Underlying Margin (%)	27.0%	27.3%	▼ -1%

GROSS MARGIN

The gross margin for FY15 was $77.8 million (FY14: $56.8 million), after the provision for legacy litigation issues of $8.9 million (FY14: $5.8 million). The underlying gross margin of 27.0% (FY14: 27.3%) remains within the Company's target range and was achieved across most locations and all product types.

[1] Inclusive of GST

88% of revenue generated came from high gross margin projects, which averaged 29.4%.

In the coming year, the gross margin is expected to lie at the lower end of the target range of 26% to 29%. The Company will continue to focus on maintaining a balance between gross margin and sales volumes.

SALES CONTRACTS CARRIED FORWARD

At 30 June 2015, the Company carried forward 364 sales contracts valued at $134.1 million[2], with the majority[3] due to settle in 1H16. These strong carried forward sales, when combined with the Company's continued sales focus, place the Company in a very strong position for 2016.

SALES PERFORMANCE

The Company recorded 843 sales during FY15 (FY14: 829). Levels of completed inventory were replenished in 1H15, and sales rose from an average of 59 per month in 1H15, to 82 per month in 2H15. Eight projects were released in FY15, and experienced solid demand which contributed to the robust sales volumes in 2H15.

Sales were heavily weighted to Queensland (81% of sales) due to the number of projects being marketed and continued supportive market conditions.

Particularly strong performance was recorded across the five projects located in Brisbane's north and four projects located in Brisbane's bayside. Sales were strong across the whole product range of affordable land, premium land, house and land and townhouses.

Victoria represented 15% of sales in FY15. Victorian sales benefitted from the release of two larger projects mid-year; the land only subdivision of *Cardinia Views* in Melbourne's south east late in 2Q15, and the house and land community of *Lavinia* in Melbourne's northern suburbs in late 3Q15.

The Company's broader product offering appealed to a larger market in FY15. Overall, half of this years' sales were to owner occupier, with approximately 25% going to first home buyers. Our premium land estates sold well to builders, and represented 11% of sales. Investors accounted for 39% of sales, approximately half of which were walk in investors, largely in Brisbane's bayside and northern suburbs.

Housing in the mid-price range Brisbane bayside projects proved popular with owner occupiers (70% - 80% of sales) with a particularly strong first home buyer presence. Brisbane's north side projects offering affordable housing were well received by the first home buyer and walk in investor market. Townhouse product in Brisbane's north was specifically targeted at the investor market.

Era - Capalaba, Brisbane

[2] Inclusive of GST
[3] 96% of contracts, and 98% of value, 349 lots worth $131 million

Operating Financial Review (continued)

The first stages of the premium land estate of *Waterline* in Brisbane's bayside were successfully released to the builders market. A builder's display village is due to open mid FY16 which will service the *Waterline* project, and nearby *Affinity*. The premium land only release at *Seaside* on the Tweed Coast was taken up quickly by builders, as were the land only lots at Mt *Cotton Village*. Victorian product was equally well received by the owner occupier and investor markets.

FY16 SALES OUTLOOK

The Company is targeting 1,000 – 1,200 sales in FY16. The average sales rate achieved in 2H15 of 82 per month is expected to continue into 1H16. With seven additional projects, offering ~780 lots being released mid year (six in Queensland and one in Victoria), sales are expected to be weighted to the second half.

SALES AND MARKETING COSTS

In 2015 a strategic decision was made to shift the focus of sales and marketing away from individual projects, towards marketing in the first instance the Villa World brand, and then towards marketing particular regions, with the knowledge that the Company has a product to suit each of its buyer segments within most regions, if not across each individual project. The Company's regional marketing campaigns have proven very successful. Combined with strong residential markets, the marketing campaigns are having a positive impact on sales, as well as benefitting the sales and marketing costs which have fallen to 5.4% of revenue, from 6.5% of revenue in the prior year. This is the second consecutive year that sales costs as a percentage of revenue have fallen.

These changes to the sales and marketing strategy included bringing some on-site sales teams in-house. On-site sales staff are contracted to particular projects and are included in cost of sales.

EMPLOYEE COSTS

In 2015 the Company's sales focus was on addressing customer needs and improving the customer journey. Accordingly, a number of management and administrative roles were added in the sales, design and after sales service areas.

Modest staff increases also occurred in the operations team (site managers and estimators) as the Company delivered more housing product across both Queensland and Victoria. Management personnel were boosted in Victoria ahead of expected growth in the business.

The Company finished FY15 with 95 full time equivalent employees (FY14: 80). The full year salary contribution of the new employees hired in FY14, largely in the operations division, as well as the new employees hired in FY15 resulted in a 25.3% increase in staff costs year on year. Employee costs fell for the second year, as a percentage of revenue to 4.5% (FY14: 5.1%).

In FY16 employee costs are expected to increase by 13%.

OTHER REVENUE AND SHARE OF PROFIT FROM EQUITY ACCOUNTED INVESTMENTS

Other income of $911k was generated this year and is largely made up of bank interest received and penalty interest on delayed settlements.

The share of profit from equity accounted investments and associates of $1.8 million relates largely to the Eynesbury joint venture. The revenue within the joint venture is largely made up of the deferred interest charge for the settlement of tranche two of the sale to the Hyde Group, and additional penalty interest received due to the delayed settlement of both tranches.

The Company has agreed to extend the settlement of Tranche 2 to 28 August 2015. The Company has negotiated an increase in the selling price of $2 million. The Company's 50% share of this ($1 million), has not been recognised as at 30 June 2015. Payments totaling $12 million have previously been made by the purchaser for the second tranche, and released to the Eynesbury joint venture. Title to the second tranche property currently remains with the Eynesbury joint venture. The profit contribution from the Eynesbury joint venture in 2016 is forecast to be $1.3 million, comprising the $1 million as a result of the increase in the selling price and extension fees.

TAX POSITION

The effective tax rate for FY15 was 13%, largely due to the recognition of a deferred tax asset in 1H15. All carried forward tax losses have now been recognised, as a result, the effective tax rate will revert to 30% in FY16.

Carried forward unused tax losses of $19.3 million remain as at 30 June 2015 (DTA of $5.8 million). It is expected that these carried forward tax losses will be fully utilised during the FY16 year. The Company will return to paying cash tax in 2H16, with a $1.1 million cash tax payment expected in 2H16.

The franking account balance at 30 June 2015 was $10.3 million. Subsequent to the payment of the final


Mt Cotton Village - Mt Cotton, Brisbane

dividend of 10 cps, the balance will be $5.5 million. The Company has adequate franking credits to pay fully franked dividends until it returns to paying cash tax on an instalment basis during 2H16.

ASSETS AND NTA

The gross assets have increased to $432.7 million at 30 June 2015 from $317.3 million, as acquisition momentum continues. The NTA per share has increased by 4% to $2.00, prior to the declaration of the 10 cent fully franked dividend (FY14: $1.92, prior to the declaration of 9 cent dividend).

CAPITAL MANAGEMENT

During the year, the Company re-introduced Westpac as a partner with ANZ to a club facility, and the facility limit was increased to $180 million from $155 million. The Westpac facility is for $50 million and matures on 2 March 2018.

At 30 June 2015 the $130 million ANZ facility was due to expire on 30 October 2016. Post year end, this facility has been extended with a credit approved term sheet in hand. Documentation is due to be finalised in September 2015. The maturity will be staggered, with $80 million extended through to 1 March 2019 and $50 million to 30 October 2020.

At 30 June 2015, the cash on hand and unused capacity in the facility was $98 million (30 June 2014 : $87 million). The gearing ratio at year end improved to 16.9% (FY14: 18.9%). Strong sales and settlements during the year generated $75.5 million (FY14: $71.8 million) in operating cash. Strong cash flow, combined with the capital raising of $31.7 million (FY14: $32.2 million) enabled $102 million in acquisitions to be settled. Strategic negotiation of acquisitions continues to ensure efficient use of capital. The unused capacity in the facility will enable the continued execution of the acquisition strategy throughout FY16. Our anticipated acquisition spend during FY16 will be $135 - $150 million.

The average cost of debt during the year was consistent with the prior year of 7.8%. A $90 million fixed interest rate swap of 3.69% remains in place through to June 2018.

The Company's funding has been repositioned, a very strong and sustainable balance sheet has been created and cash flow has been effectively managed across the portfolio.

DIVIDENDS

The shareholders have benefitted from the strong financial performance during the year with the Directors declaring total dividends of 16 cps fully franked in relation to the 2015 financial year. This represents a 7% growth year on year. An interim dividend of 6cps was paid in April 2015. A final dividend has been declared post year end of 10cps and will be paid in September 2015.

The full year dividend of 16 cps represents an annual payout of 69% of NPAT (FY14: 74%), which is within the Company's stated dividend policy (payout ratio of 50% - 75% of NPAT, paid semi-annually).

ACQUISITION

During FY15 the Company continued to execute on its acquisitions strategy, acquiring 2,769 lots worth $133 million across twelve Queensland and three Victorian projects.

The land acquisition payable at 30 June 2015 is $69.0 million in total, current $65.6 million and non-current $3.4 million. This payable will be settled from operating cash flows and settlement proceeds from third party settlements and since year end, $12.7 million has been paid.

In Queensland, the Company successfully restocked in sought after corridors of north, south and bayside Brisbane, boosting the projects available in the Brisbane – Gold Coast corridor, as well as entering the Logan corridor.

Operating Financial Review (continued)

In Melbourne, the Company entered the northern corridor with *Lavinia* in Greenvale and north-western corridors with *Sienna* in Plumpton. Both projects commenced civil works during the year, and sales have commenced at *Lavinia*.

During the year, the Company achieved the strategic goal of capitalising on opportunities for longer dated projects through appropriate partnering structures. In joint venture, the Company secured a landholding of approximately 270ha in Donnybrook, one of Melbourne's fastest growing urban corridors. The project is subject to a 2-3 year planning process and will potentially yield in excess of 2,000 lots. The joint venture structure shares the project size and planning risks, while the role of project and sales manager provides the Company upside. Importantly the project significantly boosts the medium to long term development portfolio in Melbourne.

At financial year end, the Company has a five-year supply pipeline, with 5,191 lots. Queensland remains central to the Company's business, certainly in the near term. However, the portfolio is diversified across the east coast States, and across strong growth corridors within each State. Importantly, the Company has broadened its reach across product and price point adding to the Company's resilience and providing strong and sustainable cash flows. In the near term, the portfolio, sales and settlements will remained weighted to Queensland.

THE VILLA WORLD STRATEGY

The Company's strong financial performance in FY15 reflects its focus on the four key pillars of the business – the development portfolio, delivery, sales and Villa World's capital structure.

Success in each of these four areas was underpinned by a clear and deliberate strategy founded on relationships, performance and growth.

This strategic scaffold has bolstered the Company's proven business model and solid financial platform, low gearing and strong operating cash flows.

The Company will continue to grow its portfolio within proven markets by acquiring developable land in growth corridors. The current land bank of around five years supply will be maintained.

The Company is targeting sales of 1,000 to 1,200 lots in FY16, achievable through a lift in delivery which resulted in 24% more product delivered in FY15 than the Company averaged during the three previous years. Continued supportive market conditions are likely to sustain demand in South East Queensland and near-Melbourne suburbs where the Company has a strong footprint.

The sales strategy will leverage the Company's 30-year milestone and continue to attract traditional retail buyers, with tailored product and processes in place for first home buyers and investors. The Company's ability to provide quality, affordable to mid-range product for each of the ages and stages of life is matched with the strong marketing focus on enhancing each aspect of the customer experience.

The Company's end product continues to reflect changing market needs. Further enhancements to design will keep pace with buyer preference for open plan, functional, sizeable homes, on low maintenance lots, with a strong focus on value for money. The Company will roll out a new range of home designs to suit smaller blocks while creating greater living spaces through smarter design.

KEY RISKS

While the underlying current is one of strong and supportive market conditions, the Company continues to prudently manage sales, development and finance risk, along with risks associated with general warranty claims. The Company continues to monitor government policies, including macroprudential regulation and foreign ownership policies.

Consumer confidence will continue to influence sales. Economic conditions including interest rates, unemployment and wages directly impact consumer confidence. The Company has maintained a diversified portfolio and low gearing position assisted by structured acquisition deals and a product portfolio that minimises sales risk.

The Company's portfolio has minimal project-based risk. In most cases, development approvals are either in place prior to acquisitions, or residential use is allowed and approval risk is mitigated by appropriate due diligence. Risks associated with longer-dated projects, with the opportunity to add value through the planning process, are mitigated through partnering arrangements or appropriately structured acquisition terms. Production-based risk is further minimised by the diversified portfolio, scalable business model, transparency on development costs and the experience of the Company's development team.

Warranty claims and potential litigation are inherent risks in the development and construction industry. The Company is currently defending litigation involving the following matter:


Parkside - Coomera, Gold Coast

Silverstone (refer to the Note B4(d) Provisions in the 2015 Financial statements) is a 27 apartment complex located in Tweed Heads, New South Wales which was completed in 2009. This litigation involves building defects, and the Company is cross-claiming against certain suppliers and contractors. The *Silverstone* litigation has previously been noted as a contingent liability in the Company's financial statements in FY12, FY13 and FY14. Developments in the litigation during FY15 have enabled the Directors to make a reliable estimate of the financial impact. The Company has made a provision as at 30 June 2015 of $6.5 million for its proportion of the potential claim by the Silverstone Owners Corporation and unit owners. This is in addition to the provisions for legal fees and experts costs which have been made since 30 June 2012 and expensed through cost of sales. While the Company has made an assessment of the likely outcome of the litigation, there is some risk that the financial outcome for the Company may differ from the provision amount.

The Company has mitigated financial risk during FY15 by entering into a $180 million Club financing arrangement with ANZ and Westpac. This arrangement replaces the $155 million bi-lateral facility agreement with ANZ and provide a flexible structure, allowing other banks to be introduced as required.

The Club financing arrangement comprises a facility of $130 million with ANZ expiring on 30 October 2016, and a facility of $50 million with Westpac expiring on 2 March 2018. Each facility is able to be negotiated and extended independent of the other.

The ANZ facility has been extended post balance sheet date, with $80 million expiring on 1 March 2019 and $50 million expiring on 30 October 2020. It is anticipated that all covenants associated with the facility will be complied with.

GUIDANCE

Assuming general consumer confidence is maintained, interest rates remain low and first home buyer grants remain in place, the Company is targeting statutory profit before tax of $40.5 million in FY16, representing a 38% growth on the FY15 statutory profit before tax of $29.4 million. With the Company returning to an effective tax rate of 30%, the Company is targeting a strong profit after tax of $28.35 million.

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

It is the intention of the Board to continue the payment of dividends in accordance with the stated payout policy of 50% to 75% of NPAT, paid semi-annually. The Board anticipates paying a dividend of at least 16 cents per share fully franked in FY16.

CURRENT PORTFOLIO

BRISBANE NORTH

Brisbane North, with its arterial road connections into the CBD, New Moreton Bay Rail Link under construction and ease of access to the Sunshine Coast, continues to be a key residential growth corridor of south-east Queensland and a significant market for the Company.

Planned for a total of 534 lots, **Park Vista** at Mango Hill is arguably our most successful project in the current portfolio. Neighbouring North Lakes with its town centre and education facilities, the community is now an established village style neighbourhood comprising contemporary family homes and park recreation facilities, surrounded by dedicated native reserve. FY16 will see the release of the project's new precinct of designer homes on the eastern side of Anzac Avenue.

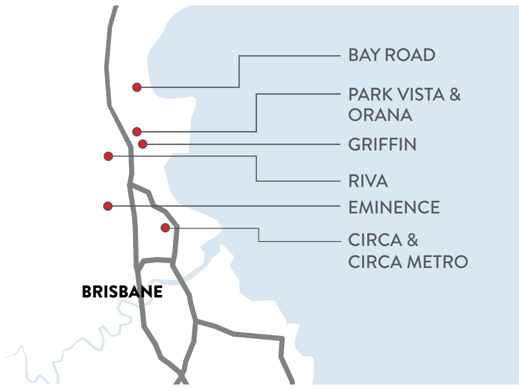
The Company continues to design and market a range of affordably priced townhomes where small development lots in prime locations become available. Adjoining Park Vista is **Orana**, where 108 townhomes set around recreation facilities including a swimming pool and covered outdoor entertaining areas offer a residential resort lifestyle. A site for a further 68 townhomes at a new project in the suburb of **Griffin** close to North Lakes will extend our commitment to the Mango Hill area.

Situated beside a nature reserve, just a short drive from Moreton Bay, **Bay Road** at Burpengary is a boutique sized community of only 143 homes, where complementary house designs and fully landscaped streets combine to provide a true neighbourhood setting.

The 211 home **Circa** community is situated in the prestige inner suburb of Nudgee just 12km from the Brisbane CBD and close to Brisbane Airport. A long-running and successful project for the Company, Circa has been developed in boutique sized stages and achieved a premium price point in a highly sought after location. FY16 will see the release of the project's exciting new range of designer homes. Circa's townhome release, **Circa Metro** is now sold-out. The project comprises 88 townhomes set around residents' recreation facilities including a resort style swimming pool and gardens. Construction will be completed during FY16.

Strategically, our new FY16 release of 39 townhomes at **Eminence on Ridley**, will partly fill the void of our townhome stocks in Brisbane's prestige inner northern suburbs. This boutique project is located in the popular suburb of Bridgeman Downs less than 16km from the CBD.

At Joyner near Lake Samsonvale, the Company is currently developing a land project known as **Riva**, which adjoins a country golf course in the popular Pine Rivers region just 25km from the CBD. Riva comprises 82 premium priced lots in a prime location close to Petrie's train station and local CBD.



Park Vista – Mango Hill, Brisbane

Orana at Park Vista – Mango Hill, Brisbane (Artist's Impression)

Current Portfolio (continued)

BRISBANE SOUTH

Brisbane South with its established leafy suburbs and freeway connection to the CBD, has for generations been a highly sought-after residential corridor offering the convenience of access to the Gold Coast. During FY16 the Company will commence a new prestige project on Gardner Road at Rochedale called **Rochedale Grand**, which will comprise 148 premium priced lots, many with glimpses of the city skyline. The site is in an established pocket of Rochedale close to schools and public transport. Originally a farming district of Brisbane's South, Rochedale has developed a modern residential character and our new designer product range is being created to reflect this market positioning.

BRISBANE BAYSIDE

A recent independent research report highlighted strong demand and limited supply in the Redlands region where the population is predicted to increase by almost 40% over the next 20 years. Located some 35km from the CBD, Redlands offers a relaxed bayside lifestyle and a host of modern family amenities. Over the past few years, our folio of projects on Brisbane's Bayside has grown, by design.

Our flagship project in Redlands is **Mt Cotton Village** which commenced in 2009. Featuring intimate neighbourhoods of designer homes set amongst picturesque native bushland, and easy access to community parks with recreation facilities, this 572 lot community has proven popular with families seeking a modern lifestyle just minutes from the Bay.

Era in Capalaba some 32 km from the CBD, was launched at the start of FY15. This project was the first location to unveil our innovative new range of designer homes. Era is a 200 home contemporary address set beside a natural bushland sanctuary, offering residents a balanced blend of modern homes and open space.

Waterline at Thornlands is a 227 lot premium land project offering a selection of prestige, level homesites in a bayside setting complete with its own community park with bike and walking paths. A 23 home display village showcasing designs by a range of leading builders will open during FY16.

During FY16, a number of new projects will be launched in this key region commencing with **Ellabay**, a boutique 84 lot community of designer homes located in Redland Bay just 1km from the waterfront. This will be followed with the release of 86 prestige land lots at **Affinity** in Thornlands and 206 homes at **Seascape** in Redland Bay just a short drive from the new Weinam Creek marina development.


Mt Cotton Village - Mt Cotton, Brisbane

Waterline - Thornlands, Brisbane

Era - Capalaba, Brisbane

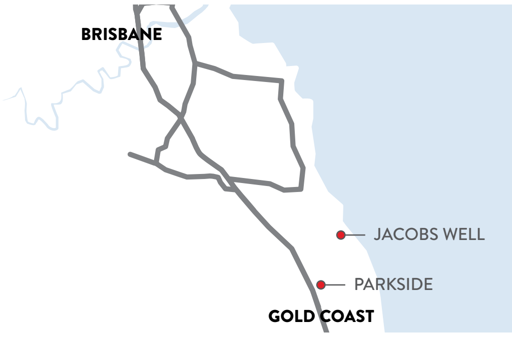
Current Portfolio (continued)

LOGAN

Logan City, located south of Brisbane is now one of Queensland's fastest growing corridors. Independent research indicates a population increase of up to 200,000 over the next 20 years and jobs growth in excess of 50,000 over that period. The Company purchased the final stage of the successful Woodlands master planned development at Waterford 31km from the CBD and we have recently begun marketing this as a new 81 home project branded **The Sanctuary**. With 30 hectares of lush open spaces bordering the community and a 17 hectare environmental corridor at its heart, Woodlands offers a truly unique lifestyle.

GOLD COAST

During FY15, the Company returned to the Gold Coast, with a new project in the burgeoning Coomera area just a few minutes drive from Dreamworld and the future Coomera Town Centre. **Parkside** comprises 108 contemporary family homes set around a central park and bounded by a bushland nature reserve. Just a short drive north, within a short walk of Tipplers Passage and its boating facilities is our new **Jacobs Well** site, planned for 107 homes.



Parkside - Coomera, Gold Coast

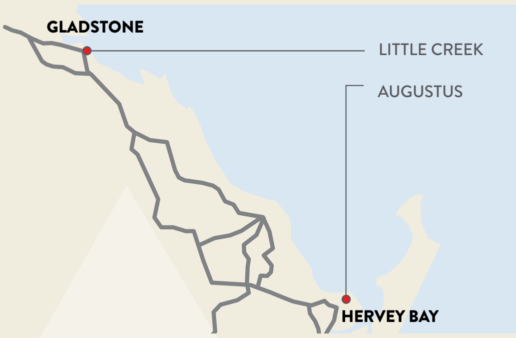
REGIONAL QUEENSLAND

Complementing the unique attributes of the central Queensland coast, the Company is developing contemporary lifestyle communities. **Little Creek** in Gladstone has been designed to be the city's premium address. Set around the huge Little Creek parklands, a $1M+ network of parks with playgrounds and recreation facilities, this 688 lot project offers a mix of land and Villa World homes.

Augustus is located on the picturesque Fraser Coast in the famous whale watching town of Hervey Bay. The project, centrally located within the town, has been master planned for a total of 730 homes. In FY2015, we also released a small number of land lots to add product diversity.

SYDNEY

Western Sydney continues to be one of the nation's key residential growth corridors. **Locosi Hill** is located at Schofields just 4km from the new Rouse Hill Town Centre yet retains a semi-rural character. The project, which includes a 7000m[2] bushland reserve, comprises 55 land lots.



Current Portfolio (continued)

MELBOURNE SOUTH EAST

Cascades on Clyde is an 1138 lot master planned community located within the major growth corridor of Melbourne's South East some 55km from the CBD. Over the past 7 years, Cascades has been a hugely successful land project for the Company. It features 14 hectares of wetlands and parklands as well as walking tracks, BBQ facilities and children's playgrounds. In the final stages, the Company offered a range of completed home designs adapted for the local market.

Following the success of Cascades, the Company has subsequently focused on new acquisitions in the Victorian market, to replenish our land supply. The first of these new projects is **Cardinia Views** launched in FY15, a 319 lot land project located in the quaint semi-rural area of Pakenham some 60km south-east of the CBD. With views of the rolling countryside and lake parklands within walking distance, the project is attracting family buyers with its variety of homesite sizes.

MELBOURNE NORTH

Melbourne's North corridor, with its ease of access to the airport and CBD continues to be in high demand by family buyers. At our boutique sized project **Roxburgh Park**, we are constructing an innovative new range of 30 terrace style urban homes in an existing residential estate some 20km north of the CBD.

At Greenvale, just 10km from Melbourne Airport, the Company has launched the master planned **Lavinia** project comprising 131 designer homes bordering the Greenvale Reserve. The community is well positioned with easy access to local amenities and neighbours a park with playground facilities. Home construction will commence in FY16.

At **Donnybrook**, an emerging residential area to the city's north, the Company has acquired a 51% share of a land project of approximately 2000 lots. Planning is currently underway and we anticipate that the first wave of buyers will be able to take up residence in FY19.

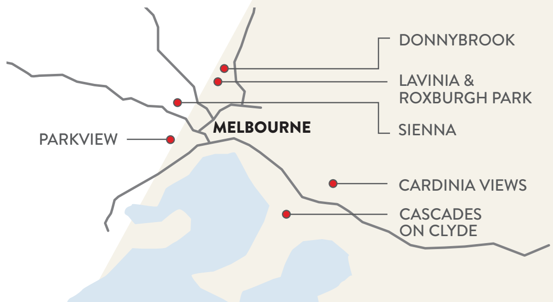
Lavinia at Greenvale, Melbourne (Artist's Impression)

MELBOURNE NORTH WEST

Melbourne's North West corridor, with its freeway access to the CBD and proximity to the Caroline Springs, Taylors Hill and Burnside Heights town centres, continues to undergo substantial population growth. In Plumpton, 35km to the CBD's north west, the Company has 2 projects close to Victoria University and local facilities. The first, due for release in FY2016 is **Sienna**, comprising 165 Villa World designer homes from a new range crafted for the Melbourne lifestyle. The neighbouring site comprises a further 254 lots currently in the planning stages.

MELBOURNE WEST

Our **Parkview** project at Trugania just 24km from the CBD, is a boutique 26 lot infill site in an existing estate adjacent to the landmark Williams Landing project. Created in a complementary palette of colours, the 26 contemporary family homes provide a balance of attractive and practical living spaces, thoughtfully set amongst quality landscaping just metres from a family park. The project has been well received by home buyers.



Lavinia at Greenvale, Melbourne (Artist's Impression)

Villa World Limited ABN 38 117 546 326

Annual report - 30 June 2015

Contents

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

Villa World Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office 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 directors' report on page 24, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 18 August 2015. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All ASX announcements, financial reports and other information are available on our website: www.villaworld.com.au

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) comprising Villa World Limited and its subsidiaries and the Company's interest in associates for the year ended 30 June 2015.

Directors

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

Mark Jewell BCom CA (SA)
Non-Executive Director since 28 November 2013
Chairman since 28 May 2014

Mark is an independent director with more than 25 years senior executive and directorship experience in publicly listed companies. He brings to the Board a wide range of property experience in the Australian development industry including land estates and medium density housing.

Board Committee memberships

- Member of the Audit and Risk Committee (since 28 November 2013)
- Member of the Remuneration and Nomination Committee (since 5 February 2015)

Other directorships (current and recent)

In the past three years Mark has served as an executive director of Aveo Group Limited (20 July 2011 - 20 August 2012) and a non-executive director of PBD Developments Limited (21 July 2011 - 3 April 2013).

Craig Treasure BASc (Surveying) (QUT), FDIA
Executive Director 17 February 2012 - 1 August 2012
Chairman and Executive Director 1 August 2012 - 5 October 2012
Chairman and Managing Director 5 October 2012 - 28 May 2014
Chief Executive Officer and Managing Director since 28 May 2014

Craig Treasure has more than 30 years experience in property development, specifically in the residential land and housing sectors along the eastern seaboard of Australia. Craig has previously held a number of executive roles and directorships within the property industry.

David Rennick BEc, LLB
Non-Executive Director since 1 September 2014

David is an independent director and senior Melbourne based lawyer with nearly three decades experience in the property industry, having acted for leading developers and institutions as principal legal advisor and on property and business strategy. His area of practice in property includes master planned community projects, property development, corporate real estate, institutional property and retail centre developments and leasing.

He is currently a partner and Head of Australia, for international law firm Pinsent Masons. Prior to that role, he was a property partner and then CEO of national law firm Maddocks where he was responsible for leadership, client and people strategies and management.

Board Committee membership

- Member of the Audit and Risk Committee (since 1 September 2014)
- Chair of the Remuneration and Nomination Committee (since 5 February 2015)

Gerald (Gerry) Lambert BCom (Hnrs), ACA, GAICD
Non-Executive Director since 22 January 2015

Gerry is an independent director who has held key financial roles in both listed and unlisted companies in the building and property development, and mining industries. He has had a 30 year corporate career with expertise and experience in the financial, strategic, governance, management and human resource areas.

Other directorships (current and recent)

Gerry is currently a non-executive director of BoysTown (since February 2011), a national charitable organisation and is a non-executive director of CuDeco Limited (since 27 April 2010), an ASX listed mining and exploration company. Gerry has previously been an executive director of Villa World Limited from 2000 to 2005, at which time he was CFO and General Manager.

Board Committee Membership

- Chair of the Audit and Risk Committee (since 18 June 2014)
- Member of the Remuneration and Nomination Committee (since 5 February 2015)

Company Secretary

Paulene Henderson B Bus Acc MBA CA
Chief Financial Officer / Company Secretary

Paulene has more than 25 years' experience in strategic finance and accounting roles, primarily in the property and hospitality sectors. She combines technical accounting expertise and commercial acumen to manage all aspects of Villa World's corporate financing, including bank relationships, treasury and forecasting as well as investor relations activities.

Paulene has also worked with global professional services firm Ernst and Young and held senior financial roles with two subsidiaries of Fortune 500 company Wyndham Worldwide.

Appointed Company Secretary 19 November 2012.

Alexander (Sandy) Beard BCom (UNSW), FCA, AICD
Chairman 25 January 2012 - 31 July 2012
Non-Executive Director 11 April 2011 - 2 September 2014

Sandy 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. Sandy has gained considerable industry experience through his investee board roles.

Other directorships (current and recent)

Sandy is currently an Executive Director of CVC Limited (since 31 August 2000), Director of CVC Property Managers Limited as Responsible Entity for CVC Property Fund (since 23 December 2005), Non-Executive Chair of Cellnet Limited (since 15 December 2006) and a Non-Executive Director of Mnemon Group Limited (since 7 June 2007). In the past three years Sandy has also served as a Non-Executive Director of Amadeus Energy Limited (14 October 2009 - 29 March 2013).

Board Committee membership

- Member of the Audit and Risk Committee (11 April 2011 - 28 May 2014)

Directors' report
30 June 2015 (continued)

Directors' interests

Directors' interests in shares of Villa World Ltd as of the date of this report	
Mark Jewell	103,390
Craig Treasure	834,864
David Rennick	22,500
Gerry Lambert	22,432

Meetings of Directors

The number of meetings of Villa World Limited's Board of Directors and of each Board Committee held during the year ended 30 June 2015 including the number of meetings attended by each Director are:

	Board meetings		Audit and Risk Committee		Remuneration and Nomination Committee[1]	
	A	B	A	B	A	B
Mark Jewell	18	18	4	4	3	3
Craig Treasure	18	18	-	-	-	-
David Rennick	15	16	3	4	3	3
Gerry Lambert	11	12	2	2	3	3
Alexander (Sandy) Beard	2	2	-	-	-	-

[1]The Remuneration and nomination committee was established during FY15. The first meeting occurred on 5 February 2015.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the period

Principal activities

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

Review of operations and consolidated results

Group Financial Summary	Consolidated 30-Jun-15 $'000	Consolidated 30-Jun-14 $'000
Revenue[1]	**324,289**	236,656
Expenses	**(284,713)**	(206,462)
Finance costs	**(10,196)**	(7,625)
Profit before income tax	**29,380**	22,569
Income tax expense	**(3,743)**	(3,503)
Profit for the period	**25,637**	19,066
Profit is attributable to:		
Owners of Villa World Limited	**25,637**	19,066

[1]Includes revenue from land and development, residential building and construction contracts, other income and share of profit/(loss) from associates. Refer Consolidated Statement of Comprehensive Income.

A review of operations for the financial year and the results of those operations are set out in the Operating and Financial Review.

Dividends

The Board declared an interim dividend of 6.0 cents per share fully franked on 17 February 2015. Payment was made to shareholders on 2 April 2015.

Matters subsequent to the end of the financial year

Final Dividend

On 18 August 2015 the Board declared a fully franked final dividend of 10.0 cents per share. The ex-dividend date is 1 September 2015 and the record date for this dividend is 3 September 2015. Payment will be made on 30 September 2015.

As at 30 June 2015, an amount of $10.3 million is held as franking credits in the Company.

Investment in the Eynesbury Joint Venture

As previously disclosed the Company has entered into unconditional contracts for the sale of the Eynesbury project (in which the Company holds a 50% interest). On 27 June 2014 the first tranche (comprising part of the land and the golf course business) was completed at a sale price of $30.0 million plus GST.

Settlement of the second $30.0 million tranche, originally scheduled for 2 March 2015 has been extended until 28 August 2015, subject to appropriate commercial terms including the provision of further security, payment of interest and a $2.0 million increase to the purchase price. The Company's 50% share ($1.0 million) has not been recognised as at 30 June 2015. Payments totaling $12.0 million have previously been made by the purchaser for the second tranche, and released to the Eynesbury Joint Venture. Title to the second tranche property currently remains with the Eynesbury Joint Venture.

As at 30 June 2015 the equity accounted investment in the Eynesbury Joint Venture was $10.9 million.

ANZ Facility

During August 2015 Villa World and ANZ have agreed a credit approved term sheet to effect the following extension to the ANZ facility: $80 million to March 2019 and $50 million to October 2020. The formal documentation process is expected to be completed in September 2015.

REMUNERATION REPORT

The Directors are pleased to present the Remuneration Report for FY15 which details compensation arrangements in place for the Company's key management personnel as defined in AASB 124 "Related Party Disclosures". This Report is presented in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Directors and key management personnel disclosed in this report

Mark Jewell	Independent Chairman
David Rennick[1]	Independent Non-executive Director
Gerald (Gerry) Lambert[2]	Independent Non-executive Director
Alexander (Sandy) Beard[3]	Non-executive Director
Craig Treasure	Chief Executive Officer and Managing Director
Scott Payten[4]	Chief Operating Officer
Paulene Henderson	Chief Financial Officer

[1]David Rennick was appointed non-executive director 1 September 2014.

[2]Gerald (Gerry) Lambert was appointed non-executive director 22 January 2015.

[3]Alexander (Sandy) Beard resigned 2 September 2014.

[4]Scott Payten ceased employment 24 September 2014.

Non-executive directors

Remuneration strategy

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, taking into account amounts paid to non-executive directors with comparable roles in the external market.

Remuneration report (continued)

Remuneration strategy (continued)

Fees are determined within an aggregate directors’ fee pool limit which is periodically recommended for approval by shareholders. 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 for the year ended 30 June 2015 was $234,262 (30 June 2014: $188,084).

Non-executive directors’ remuneration is inclusive of additional fees paid to directors who sit on committees with an additional fee payable for chairing committees.

Service Agreements

On appointment to the Board, all non-executive directors enter into a letter of appointment with the Company. The letter of appointment sets out the term of appointment, services to be provided, remuneration, and corporate policies and codes of conduct to be complied with.

Executive directors and key management personnel

Remuneration strategy

Key management personnel are those people who have the authority and responsibility for planning, directing and controlling the Company's activities, directly or indirectly. They include the Managing Director and Chief Executive Officer and the Chief Financial Officer (collectively referred to as the "Executive").

The objective of the Company’s executive remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework provides a mix of fixed and variable remuneration including appropriate incentives.

Executives do not participate in discussions relating to their own remuneration. The Company's remuneration and reward framework for an executive include a combination of fixed remuneration and key performance related incentives.

The framework aligns executive rewards with the creation of value for shareholders. Performance based rewards are linked to the achievement of individual performance criteria and may be adjusted at the discretion of the Board. The remuneration package for an executive is determined by the Board and assessed against the broader market.

Remuneration policy

The Board is responsible for determining the remuneration for directors and other key management personnel. The Board’s objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the Company.

The Company’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.

Components of executive remuneration

Total fixed remuneration

Total Fixed Remuneration (“TFR”) is a market related base salary including superannuation contributions. As and when considered appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for comparable role. TFR is reviewed annually and upon change of role or responsibility.

Remuneration report (continued)

Short-term incentives

Executives have a target short term incentive ("STI") opportunity depending on the accountabilities of their role and impact on the Company's performance. Actual STI awards can range from 0-40% of TFR. These are awarded based on the successful achievement of pre-determined Board approved Key Performance Indicators ("KPIs"). A sliding scale element is incorporated into relevant KPIs to motivate executives to outperform base targets set. However, the Board has the discretion to pay over and above these amounts.

Each year the Board considers the appropriate targets and KPIs to link to the STI plan and the level of payout if targets are met for executives. This may include setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STI.

The KPIs are set by reference to four criteria, which are shown below:

- Financial targets based on the achievement of Board approved budgets, forecasts and compliance with bank target ratios.
- Business growth targets including the development and implementation of long-term strategic planning.
- People and process improvements across the Company.
- Maintenance and enhancement of work health and safety corporate compliance and product quality platforms within the Company.

For the FY14 and FY15 years, the KPIs were linked to STI plans and were based on very similar criteria.

Long-term incentives

The Company operates long-term incentives ("LTIs") in the form of the Villa World Limited Option Plan. For options that have been issued to date, the options vest at the completion of three years of service from the grant date. Under the terms of the options granted to date, if the participating employee leaves the Company before the vesting date, the options are cancelled, although the Board may waive this restriction at its discretion.

The chart below shows the mix between TFR, STI and LTI for executives for the financial years ending 30 June 2015 and 2014.

	Total remuneration package components					
	TFR		STI - at risk		LTI	
	2015	2014	2015	2014	2015	2014
Executive Directors						
Craig Treasure	**66%**	52%	**22%**	21%	**12%**	27%
Other executive KMPs						
Scott Payten	**98%**	70%	**-**	18%	**2%**	12%
Paulene Henderson	**80%**	75%	**17%**	19%	**3%**	6%

Termination Benefits

Other than statutory entitlements, there are no termination benefits applicable to the current executives.

Employment agreements

Remuneration and other terms of employment for executives are formalised in employment agreements. The key provisions of the agreements for the year ended 30 June 2015 relating to remuneration are set out in the following table:

Directors' report
30 June 2015 (continued)

Remuneration report (continued)

Employment agreements (continued)

	Base fee inclusive of superannuation	Term of agreement	Notice period	Review period	Anticipated annual cash bonus (%)[1]
Chief Executive Officer and Managing Director					
Craig Treasure	$600,000	Rolling	6 months	Annual	40%
Other key management personnel					
Paulene Henderson	$275,000	Rolling	6 months	Annual	25%

[1]Anticipated cash bonus as a proportion of base salary depending on corporate and individual performance.

Consequences of performance on shareholder wealth

The Company ties incentives to share price growth indirectly and other measureable KPIs that drive results and shareholder value creation. The overall level of an executive's compensation takes into account the performance of the Company in respect of the current financial year and the previous four financial years.

Performance KPI	FY11 $m	FY12 $m	FY13 $m	FY14 $m	FY15 $m
Revenue	$110.8	$146.5	$169.4	$229.5	**$321.6**
Debt	$62.4	$74.2	$70.0	$69.1	**$92.0**
Gearing	23.5%	27.6%	24.4%	18.7%	**16.9%**
NTA per security (cents)	178.1	201.0	185.0	192.0	**200.0**
Dividends (relating to the year)					
Interim dividend (cents)	-	-	-	6.0	**6.0**
Final dividend (cents)	-	-	-	9.0	**10.0**
Earnings per share (cents)	11.4	10.1	(18.2)	21.5	**25.6**
Share price at 30 June	$0.90	$0.79	$1.13	$2.02	**$2.00**

Voting and comments made at the company's 2014 Annual General Meeting

The Company received 95.2% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration report (continued)

Details of remuneration

Details of the remuneration of the directors and executives are set out below:

2015	Short-term employee benefits		Post employment benefits	Long-term benefits		Share based payments	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Long service leave[5] $	Termi-nation benefits $	Options[6] $	Total $
Non-executive Directors							
Mark Jewell	110,000	-	10,450	-	-	-	120,450
David Rennick [1]	60,000	-	5,700	-	-	-	65,700
Gerald (Gerry) Lambert [2]	31,938	-	3,034	-	-	-	34,972
Alexander (Sandy) Beard [3]	13,140	-	-	-	-	-	13,140
Sub-total non-executive directors	**215,078**	**-**	**19,184**	**-**	**-**	**-**	**234,262**
Chief Executive Officer and Managing Director							
Craig Treasure	571,963	199,905	18,783	2,755	-	100,000	893,406
Other key management personnel							
Scott Payten [4]	103,921	-	9,392	764	445,692	(25,000)	534,769
Paulene Henderson	256,217	59,369	18,783	4,740	-	8,333	347,442
Sub-total Chief Executive Officer and Managing Director and other key management personnel	**932,101**	**259,274**	**46,958**	**8,259**	**445,692**	**83,333**	**1,775,617**
Total	**1,147,179**	**259,274**	**66,142**	**8,259**	**445,692**	**83,333**	**2,009,879**

[1]David Rennick was appointed non-executive director 1 September 2014

[2]Gerry Lambert was appointed non-executive director 22 January 2015.

[3]Alexander Beard resigned 2 September 2014. Alexander is the Managing Director of CVC Limited and his director's fees are paid to CVC Managers Pty Ltd.

[4]Scott Payten ceased employment 24 September 2014 and received a termination payment inclusive of annual leave entitlement, long service leave, notice period and redundancy.

[5]Long service leave represents the amount expensed by the Company for the period.

[6]The amount shown in the share-based payments - options column does not represent an amount paid to the individual but rather the amount expensed by the Company. Refer note E2 (c) - Expenses arising from share-based payment transactions.

Remuneration report (continued)

Details of remuneration (continued)

2014	Short-term employee benefits		Post-employment benefits	Long-term benefits		Share based payments	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Long service leave[4] $	Termin-ation benefits $	Options[5] $	Total $
Non-executive Directors							
Mark Jewell[1]	46,159	-	4,270	-	-	-	50,429
Alexander (Sandy) Beard[2]	78,660	-	-	-	-	-	78,660
Troy Harry[3]	54,000	-	4,995	-	-	-	58,995
Sub-total non-executive directors	**178,819**	**-**	**9,265**	**-**	-	**-**	**188,084**
Chief Executive Officer and Managing Director							
Craig Treasure	482,225	128,690	17,775	2,734	-	100,000	731,424
Other Key management personnel							
Scott Payten	382,225	72,500	17,775	6,500	-	25,000	504,000
Paulene Henderson	232,225	45,313	17,775	5,677	-	8,333	309,323
Sub-total Chief Executive Officer and Managing Director and other key management personnel	**1,096,675**	**246,503**	**53,325**	**14,911**	-	**133,333**	**1,544,747**
Total	**1,275,494**	**246,503**	**62,590**	**14,911**	-	**133,333**	**1,732,831**

[1]Mark Jewell was appointed non-executive Director on 28 November 2013 and Independent Chairman on 28 May 2014.
[2]Alexander Beard is the Managing Director of CVC Limited and his director's fees are paid to CVC Managers Pty Ltd.
[3]Troy Harry resigned on 31 March 2014.
[4]Long service leave represents the amount expensed by the Company for the period.
[5]The amount shown in the share-based payments - options column does not represent an amount paid to the individual but rather the amount expensed by the Company. Refer note E2 (c) - Expenses arising from Share-based payment transactions.

Share-based payments

(a) Villa World Limited Option Plan

Share-based compensation benefits are provided to key personnel via an employee option scheme. Under the terms of the options granted to date, the options will only vest if the participating key management personnel continue their respective service agreements with the Company for three years from the grant date.

The assessed fair value of the options as at the grant date is independently determined using a Binomial Option Price Valuation Model. Details of the assumptions made in determining the fair value are discussed in Note E2 (b) - Equity instrument disclosures relating to key management personnel.

The following table discloses the number of share options granted, vested or lapsed during the year. Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

Directors' report
30 June 2015 (continued)

Remuneration report (continued)

Share based payments (continued)

Options previously granted	Grant Date	Expiry Date	Exercise Price	Granted as compensation	Value of options at grant date[1]	Vesting date	Forfeited / lapsed during year
Key management personnel							
Craig Treasure	26/07/2013	26/01/2017	$1.25	3,000,000	$300,000	26/07/2016	-
Paulene Henderson	26/07/2013	26/01/2017	$1.25	250,000	$25,000	26/07/2016	-
Scott Payten	26/07/2013	26/01/2017	$1.25	750,000	$75,000	26/07/2016	750,000

[1]The value of options at grant date is 10 cents per option and is calculated in accordance with AASB2 Share-based Payments.

(b) Expenses arising from share-based payment transactions

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

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Options issued to key management personnel	**83**	133
	83	133

Share holdings of key management personnel

The numbers of shares in the Company held during the financial year by each key management personnel, including their closely related parties, are set out below. There were no shares granted during the reporting period as compensation.

30-Jun-15	Balance at the start of the year		Granted during the year		Other changes during the year		Balance at the end of the year	
Name	Direct holding	Indirect holding	Direct holding	Indirect holding	Direct holding	Indirect holding	Direct holding	Indirect holding
Directors								
Mark Jewell	-	100,958	-	-	-	2,432	-	103,390
Craig Treasure	250,000	550,000	-	-	2,432	32,432	252,432	582,432
David Rennick	-	-	-	-	-	22,500	-	22,500
Gerald (Gerry) Lambert	-	-	-	-	-	22,432	-	22,432
Alexander (Sandy) Beard[1]	-	-	-	-	-	-	-	-
Other key management personnel								
Paulene Henderson	-	65,816	-	-	-	20,652	-	86,468
Scott Payten[2]	5,526	-	-	-	-	(5,626)	-	-

1. Alexander (Sandy) Beard is the Managing Director of CVC Limited, which owns 169,147 shares (June 2014: 15,185,484) in Villa World Limited. Sandy resigned 2 September 2014.
2. Scott Payten ceased employment on 24 September 2014.

Directors' report
30 June 2015 (continued)

Remuneration report (continued)

Share holdings of key management personnel (continued)

30-Jun-14	Balance at the start of the year		Granted during the year		Other changes during the year		Balance at the end of the year	
Name	Direct holding	Indirect holding	Direct holding	Indirect holding	Direct holding	Indirect holding	Direct holding	Indirect holding
Directors								
Mark Jewell	-	-	-	-	-	100,958	-	100,958
Craig Treasure	200,000	500,000	-	-	50,000	50,000	250,000	550,000
Sandy Beard[1]	-	-	-	-	-	-	-	-
Troy Harry[2]	-	1,100,000	-	-	-	(1,100,000)	-	-
Other key management personnel								
Scott Payten	760	-	-	-	4,766	-	5,526	-
Paulene Henderson	-	50,050	-	-	-	15,766	-	65,816

[1]Alexander (Sandy) Beard is the Managing Director of CVC Limited, which owns 15,185,484 shares (June 2013: 17,593,604 shares) in Villa World Limited.
[2]Troy Harry resigned on 31 March 2014.

Environmental regulation

The Company 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 Councils and other government agencies. Those Councils and agencies will assess environmental factors when issuing approvals and, where applicable, will impose relevant conditions. To the best of the Directors' knowledge, all activities have been undertaken in compliance with the requirements of all development approvals.

(ii) Dwelling construction/building approvals

Building approvals are obtained for the construction of dwellings from the relevant Councils. The construction of dwellings is subject to strict requirements regarding environmental impacts 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, Council requirements and other applicable laws.

Indemnification and Insurance of officers and auditors

Indemnification

During the year, the Company paid premiums for policies insuring directors and officers of the Company and its related bodies corporate 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 policies as (in accordance with normal practice) such disclosure is prohibited under the terms of the policies.

Insurance premiums

The Company's constitution provides that it must indemnify, on a full indemnity basis and to the full extent permitted by law, officers of the Company and its related bodies corporate for all losses and liabilities incurred by the person in their position as an officer, unless covered by insurance.

Directors' report
30 June 2015 (continued)

Insurance premiums (continued)

The Company 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 have been entered into with other persons who have been requested to act as directors or officers of the Company or its related bodies corporate. The indemnities in these deeds operate to the full extent permitted by law and are not subject to a monetary limit. The Company 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.

The Company 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.

Indemnity of auditors

Details of the amounts paid to the auditors of the Company, Ernst & Young for audit and non-audit services provided during the year are set out in note E3 - Remuneration of auditors. To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit services

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out in note E3 - Remuneration of auditors.

The Board has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the auditor's provision of non-audit services did not compromise the Act's independence requirements because none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

The Audit and Risk Committee reviewed all non-audit services to ensure they did not impact the auditor's impartiality and objectivity.

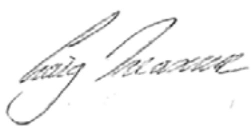
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 36.

Rounding of amounts

The Company 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 directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Craig Treasure
Chief Executive Officer and Managing Director
Gold Coast
18 August 2015

Building a better
working world

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Auditor's Independence Declaration to the Directors of Villa World Limited

In relation to our audit of the financial report of Villa World Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ric Roach
Partner
18 August 2015

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 Principles and Recommendations', which offer a framework for good corporate governance. The Board has approved the Corporate Governance Statement for the year ended 30 June 2015, which is available in the Corporate Governance section of its website at http://www.villaworld.com.au/PDF/Corporate Governance Statement.pdf

Annual report - 30 June 2015

Contents

Page

Financial statements

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income
For the year ended 30 June 2015

	Notes	Consolidated 30-Jun-15 $'000	Consolidated 30-Jun-14 $'000
Revenue from continuing operations			
Revenue from land development, residential building and construction contracts	A1	**321,550**	229,450
Cost of land development, residential building and construction contracts	A1	**(243,760)**	(172,628)
Gross Margin		**77,790**	56,822
Other income	A1	**911**	3,439
Net impairment of development land		**77**	108
Share of profit/(loss) from associates and joint ventures	D2	**1,828**	3,767
Other expenses from ordinary activities			
Property sales and marketing expenses		**(17,963)**	(14,879)
Land holding costs		**(3,565)**	(3,210)
Legal and professional costs		**(943)**	(1,018)
Employee benefits		**(14,352)**	(11,448)
Depreciation and amortisation expense		**(958)**	(450)
Administration costs and other expenses		**(3,249)**	(2,937)
Finance costs	C5	**(10,196)**	(7,625)
Profit/(Loss) before income tax		**29,380**	22,569
Income tax (expense)/benefit	A5	**(3,743)**	(3,503)
Profit/(Loss) for the period		**25,637**	19,066
Profit/(Loss) is attributable to:			
Owners of Villa World Limited		**25,637**	19,066

		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	A2	**25.6**	21.8
Diluted earnings per share	A2	**25.2**	21.5

	Notes	Consolidated 30-Jun-15 $'000	Consolidated 30-Jun-14 $'000
Profit/(Loss) for the period		**25,637**	19,066
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	C3(a)	**(1,805)**	(1,080)
Income tax relating to these items	C3(a)	**541**	324
Other comprehensive income for the period, net of tax		**(1,264)**	(756)
Total comprehensive income for the period, net of tax		**24,373**	18,310
Total comprehensive income for the period is attributable to:			
Equity holders of the company		**24,373**	18,310

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

Consolidated balance sheet
As at 30 June 2015

	Notes	Consolidated 30-Jun-15 $'000	30-Jun-14 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**22,571**	12,118
Trade and other receivables	B2	**41,907**	16,899
Inventories	B1	**191,318**	123,660
Other current assets		**3,588**	1,978
Total current assets		**259,384**	154,655
Non-current assets			
Inventories	B1	**148,326**	134,563
Property, plant and equipment		**898**	1,125
Investments accounted for using the equity method	D2	**16,779**	17,968
Deferred tax assets	A5(d)	**7,286**	8,958
Total non-current assets		**173,289**	162,614
Total assets		**432,673**	317,269
LIABILITIES			
Current liabilities			
Trade and other payables	B3	**96,452**	54,856
Current tax liabilities		**1,196**	-
Employee benefits		**635**	500
Service warranties	B4(a)	**14,983**	10,079
Other provisions		**239**	384
Total current liabilities		**113,505**	65,819
Non-current liabilities			
Trade and other payables	B3	**5,926**	1,520
Borrowings	C4	**92,044**	69,086
Employee benefits - long service leave		**339**	351
Other provisions		**261**	247
Total non-current liabilities		**98,570**	71,204
Total liabilities		**212,075**	137,023
Net assets		**220,598**	180,246
EQUITY			
Contributed equity	C2	**444,286**	413,375
Other reserves	C3(a)	**174,190**	164,774
Retained earnings/(Accumulated losses)		**(397,878)**	(397,903)
Capital and reserves attributable to owners of Villa World Limited		**220,598**	180,246
Total equity		**220,598**	180,246

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 2015

		Attributable to owners of Villa World Limited					
Consolidated entity	Notes	**Contributed equity $'000**	**Cash flow hedges $'000**	**Other Reserves $'000**	**Profit Reserve $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2013		382,125	(657)	220	-	(245,556)	136,132
Profit for the year as reported in the 2014 financial statements		-	-	-	-	19,066	19,066
Movement in hedge reserve (net of tax)		-	(756)	-	-	-	(756)
Total comprehensive income for the period		**-**	**(756)**	**-**	**-**	**19,066**	**18,310**
Contributions of equity, net of transaction costs and tax	C2	26,292	-	-	-	-	26,292
Securities issued under the share purchase plan, net of transaction costs and tax	C2	4,958	-	-	-	-	4,958
Transfer opening retained profit to profit reserve	C3(a)	-	-	-	150,342	(150,342)	-
Transfer current year profit to profit reserve	C3(a)	-	-	-	21,291	(21,291)	-
Dividends provided for or paid	A4(a)	-	-	-	(5,620)	-	(5,620)
Expenses related to share based payments		-	-	174	-	-	174
Transfer opening share based payments to retained earnings	C3(a)	-	-	(220)	-	220	-
		31,250	**-**	**(46)**	**166,013**	**(171,413)**	**25,804**
Balance at 30 June 2014		**413,375**	**(1,413)**	**174**	**166,013**	**(397,903)**	**180,246**
Balance at 1 July 2014		413,375	(1,413)	174	166,013	(397,903)	180,246
Profit for the year as reported in the 2015 financial statements		-	-	-	-	25,637	25,637
Movement in hedge reserve (net of tax)		-	(1,264)	-	-	-	(1,264)
Total comprehensive income for the period		**-**	**(1,264)**	**-**	**-**	**25,637**	**24,373**
Securities issued from capital raising, net of transaction costs and tax	C2	25,911	-	-	-	-	25,911
Securities issued under the share purchase plan, net of transaction costs and tax	C2	5,000	-	-	-	-	5,000
Dividends provided for or paid	A4(a)	-	-	-	(15,050)	-	(15,050)
Share based payments and other expenses		-	-	143	-	(25)	118
Transfer current year profit to profit reserve	C3(a)	-	-	-	25,587	(25,587)	-
		30,911	**-**	**143**	**10,537**	**(25,612)**	**15,979**
Balance at 30 June 2015		**444,286**	**(2,677)**	**317**	**176,550**	**(397,878)**	**220,598**

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

Consolidated statement of cash flows
For the year ended 30 June 2015

	Notes	Consolidated 30-Jun-15 $'000	30-Jun-14 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**318,436**	266,339
Payments to suppliers and employees (inclusive of goods and services tax)		**(242,923)**	(194,492)
		75,513	71,847
Payments for land acquired		**(102,123)**	(89,505)
Interest received		**575**	543
Interest paid		**(6,313)**	(4,936)
Borrowing costs		**(723)**	(120)
GST paid / (refund)		**2,612**	(4,130)
Net cash (outflow) / inflow from operating activities	A6	**(30,459)**	(26,301)
Cash flows from investing activities			
Payments for property, plant and equipment		**(708)**	(613)
Payments for the purchase of investment properties		**(5,983)**	-
Loans to related parties		**9,000**	(500)
Net cash inflow / (outflow) from investing activities		**2,309**	(1,113)
Cash flows from financing activities			
Proceeds from borrowings		**211,437**	24,960
Repayment of borrowings		**(188,360)**	(26,000)
Proceeds from issue of share capital		**31,693**	32,200
Transactions costs of issue of shares		**(1,117)**	(1,358)
Dividends paid to company's shareholders		**(15,050)**	(5,620)
Net cash inflow / (outflow) from financing activities		**38,603**	24,182
Net increase / (decrease) in cash and cash equivalents		**10,453**	(3,232)
Cash and cash equivalents at the beginning of the financial year		**12,118**	15,350
Cash and cash equivalents at end of period		**22,571**	12,118
Reconciliation to cash at the end of the year:			
Cash and cash equivalents		**22,571**	12,118
Cash and cash equivalents at the end of the year:		**22,571**	12,118

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

Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements
30 June 2015 (continued)

A RESULTS FOR THE YEAR

This section provides information that is most relevant to explaining the Company's performance during the year and where relevant, the accounting policies that have been applied and significant estimates and judgements made.

In this section:

A1 Revenue and gross profit
A2 Earnings per share
A3 Segment revenue
A4 Dividends
A5 Taxes
A6 Reconciliation of profit after income tax to net cash inflow from operating activities

A1 Revenue and gross profit

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
Revenue from land only development	**62,887**	49,534
Revenue from land development, residential building and construction contracts	**258,663**	179,916
Revenue from land development, residential building and construction contracts	**321,550**	229,450
Cost of land only development	**41,730**	32,150
Cost of land development, residential building and construction contracts	**193,107**	134,606
Other direct costs	**8,923**	5,872
Costs of land development, residential building and construction contracts	**243,760**	172,628
Gross profit	**77,790**	56,822
Gross margin	**24.2%**	**24.8%**

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
Other income		
Revenue from related joint ventures	**44**	2,323
Other revenue	**867**	1,116
	911	3,439

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Land development and residential housing

Revenue is recognised when the risks and rewards of ownership and effective control have passed to the buyer. In Queensland and Victoria an unconditional sales contract and registration of the land and/or certification of building completion is required for revenue to be recognised.

Cash settlement is therefore not required in Queensland or Victoria to recognise revenue for land only and house and land packages. However cash settlement is required in New South Wales due to section 66K of the Conveyancing Act 1919 which specifies that risk does not pass to the purchaser until the completion of the sale or possession of the land.

Notes to the consolidated financial statements
30 June 2015 (continued)

A1 Revenue and gross profit (continued)

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. 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. 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.

A2 Earnings per share

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
Profit attributable to the ordinary equity holders of the Company	25,637	19,066
	Number '000	Number '000
Weighted average number of ordinary shares used in calculating basic earnings per share	100,141	87,477
Weighted average number of diluted shares used in calculating diluted earnings per share	101,630	88,790
	Cents	Cents
Basic earnings per share	25.6	21.8
Diluted earnings per share	25.2	21.5

Accounting for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

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 ordinary shares and the weighted average number of shares assumed to have been issued for no consideration.

Options

Options granted to employees under Villa World Limited's Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

A3 Segment revenue

(a) Identification of reportable operating segments

The Company is organised into two operating segments:

(i) Property development and construction - Queensland and New South Wales.
(ii) Property development and construction - Victoria.

The company has identified its operating segments based on the internal reports that are reviewed and used by the executive committee (chief operating decision makers) in assessing performance and in determining resource allocation.

Notes to the consolidated financial statements
30 June 2015 (continued)

A3 Segment revenue (continued)

(a) Identification of reportable operating segments (continued)

The Company and its controlled entities develop and sell residential land and buildings predominately in Queensland, New South Wales 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 segment information provided to the executive committee for the reportable segments for the year ended 30 June 2015 is as follows:

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
From continuing operations		
Segment revenue from land development, residential building and construction contracts		
Queensland and New South Wales	**303,156**	202,242
Victoria	**18,394**	27,208
Total segment revenue from land development, residential building and construction contracts	**321,550**	229,450
Segment cost of land development, residential building and construction contracts		
Queensland and New South Wales	**231,548**	154,610
Victoria	**12,212**	18,018
Total segment cost of land development, residential building and construction contracts	**243,760**	172,628
Segment gross margin		
Queensland and New South Wales	**71,608**	47,632
Victoria	**6,182**	9,190
Total segment gross margin	**77,790**	56,822

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.

(b) Segment information provided to the strategic 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 land development, residential building and construction contracts.

(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.

A4 Dividends

Accounting for dividends

When determining dividend return to shareholders, the Company considers a number of factors, including the Company's anticipated cash requirements to fund its growth and operational plans and current and future economic conditions. According to these anticipated needs, the Company aims to return to shareholders approximately 50-75% of net profit after income tax (NPAT). 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 end of the reporting period.

Notes to the consolidated financial statements
30 June 2015 (continued)

A4 Dividends (continued)

Accounting for dividends (continued)

(a) Ordinary shares

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
Final fully franked ordinary dividend for the year ended 30 June 2014 of 9.0 cents per fully paid share paid on 30 September 2014 (2013: nil)		
Final franked dividend based on tax paid at 30.0%	8,430	-
Interim dividend for the year ended 30 June 2015 of 6.0 cents per fully paid share (2014: 6.0 cents per fully paid share) paid on 2 April 2015.		
Interim franked dividend based on tax paid at 30.0%	6,620	5,620

(b) Dividends not recognised at the end of the reporting period

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
In addition to the above dividends, since period end the Directors have recommended the payment of a final dividend of 10.0 cents per fully paid ordinary share (2014: 9.0 cents per fully paid ordinary share) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 September 2015 out of profits reserve at 30 June 2015, but not recognised as a liability at period end, is:	11,034	-

(c) Franking credits

	Consolidated entity	
	30-Jun-15 $'000	30-Jun-14 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2014 - 30.0%)	10,251	16,701

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for franking debits that will arise from the payment of dividends recognised as a liability 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.

A5 Taxes

Accounting for taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax expense represents the expense relating to the expected taxable income at the applicable tax rate for the financial year. Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability.

Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group (TCG) where all members are taxed as if they were part of a single entity. The head entity in the TCG is Villa World Limited.

The entities within the TCG have entered both tax sharing and tax funding arrangements with the head entity. These arrangements limit the joint and several liabilities between the head entity and the members, and ensure the members pay/receive their share of tax payable/receivable settled via an intercompany loan.

Notes to the consolidated financial statements
30 June 2015 (continued)

A5 Taxes (continued)

Accounting for taxes (continued)

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Profit/(loss) from continuing operations before income tax expense	**29,380**	22,569
	29,380	22,569
Tax at the Australian tax rate of 30.0% (2014 - 30.0%)	**8,814**	6,771
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Profit / (loss) of equity accounted investments	**(461)**	901
	8,353	7,672
(Recognition) / Derecognition of deferred tax asset for losses	**(4,300)**	(4,208)
Other	**72**	319
Adjustments for current tax of prior periods	**(382)**	(280)
	(4,610)	(4,169)
Income tax expense	**3,743**	3,503

	30-Jun-15	30-Jun-14
Income tax expense / (benefit)	**$'000**	$'000
Current tax	**1,196**	-
Deferred tax	**2,929**	3,783
Adjustments for current tax of prior periods	**(382)**	(280)
	3,743	3,503
Income tax expense / (benefit) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	**(5,671)**	3,725
Increase / (decrease) in deferred tax liabilities	**7,343**	(960)
Adjustments for current tax of prior periods	**382**	280
Net deferred tax - debited / (credited) directly to equity	**875**	738
	2,929	3,783

Villa World Ltd does not recognise a deferred tax asset on its investment in the Eynesbury Pastoral Trust on the basis that the deferred tax asset represents an unrealised capital loss for which the future use is not probable.

(b) Tax expense (income) relating to items of other comprehensive income

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Cash flow hedges	**541**	324
Total tax expense (income) relating to items of other comprehensive income	**541**	324

(c) Tax losses

During the year a prima facie taxable income of $20.5 million (30 June 2014: $13.9 million taxable income) was generated by the Company with unused tax losses of $19.3 million (30 June 2014: $20.3 million) remaining. The Company has recognised all tax losses as at 30 June 2015.

Notes to the consolidated financial statements
30 June 2015 (continued)

A5 Taxes (continued)

(d) Deferred tax assets and tax liabilities

The balance comprises temporary differences attributable to:

	Deferred tax assets		Deferred tax liabilities		Net	
	30-Jun-15 $'000	30-Jun-14 $'000	**30-Jun-15 $'000**	30-Jun-14 $'000	**30-Jun-15 $'000**	30-Jun-14 $'000
Inventories	**15,129**	11,250	**(4,427)**	(5,238)	**10,702**	6,012
Tax losses	**5,806**	6,083	**-**	-	**5,806**	6,083
Accruals	**490**	631	**-**	-	**490**	631
Employee benefit	**320**	275	**-**	-	**320**	275
Provisions	**4,673**	3,265	**-**	-	**4,673**	3,265
Property, plant and equipment	**116**	96	**-**	-	**116**	96
Other	**1,303**	753	**-**	-	**1,303**	753
Capital raising costs	**513**	326	**-**	-	**513**	326
Trade debtors	**-**	-	**(15,988)**	(8,100)	**(15,988)**	(8,100)
Other	**-**	-	**(649)**	(383)	**(649)**	(383)
Tax assets/(liabilities)	**28,350**	22,679	**(21,064)**	(13,721)	**7,286**	8,958
Movements						
As at 1 July 2014	**22,679**	26,404	**(13,721)**	(14,681)	**8,958**	11,723
- to profit or loss	**6,546**	(2,987)	**(7,343)**	960	**(797)**	(2,027)
- through equity	**(875)**	(738)	**-**	-	**(875)**	(738)
As at 30 June 2015	**28,350**	22,679	**(21,064)**	(13,721)	**7,286**	8,958

Accounting for deferred tax assets and liabilities

Deferred tax is recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits, or
- when the taxable temporary difference is associated with interest in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

30 June 2015 (continued)

A5 Taxes (continued)

(e) Critical accounting estimates and assumptions for income taxes

The Company is subject to income taxes in Australia.

The Company recognises liabilities based on the 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 Company 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.

Utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. It is believed that the Company will satisfy those tests in order to utilise any tax losses.

A6 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Profit for the year	**25,637**	19,066
Depreciation and amortisation	**958**	450
Capitalised interest and fees	**3,028**	2,189
Borrowing costs	**560**	364
Net (gain) / loss on disposal of property, plant and equipment	**(23)**	-
Share of (gain) / loss from associate	**(1,828)**	(3,767)
Impairment of development land	**(77)**	(108)
Change in operating assets and liabilities:		
(Increase) / decrease in trade debtors	**(25,202)**	10,038
(Increase) / decrease in inventories	**(81,344)**	(88,844)
Increase / (decrease) in trade creditors	**39,662**	27,022
(Increase) / decrease in deferred tax assets	**2,211**	3,090
Increase / (decrease) in other operating assets and liabilities	**(104)**	80
Increase / (decrease) in other provisions	**6,063**	4,119
Net cash inflow / (outflow) from operating activities	**(30,459)**	(26,301)

30 June 2015 (continued)

B OPERATING ASSETS AND LIABILITIES

This section shows the assets used to generate the Company's trading performance and the liabilities incurred as a result.

In this section:

B1 Inventories

	Consolidated	
	30-Jun-15 $'000	30-Jun-14 $'000
Current assets		
Acquisition cost of land held for development and resale	**110,505**	55,054
Development costs	**76,459**	64,642
Capitalised interest	**4,958**	4,810
Impairment of development land	**(604)**	(846)
	191,318	123,660
Non-current assets		
Acquisition cost of land held for development and resale	**114,451**	101,059
Development costs	**35,880**	35,547
Capitalised interest	**6,324**	7,940
Impairment of development land	**(8,329)**	(9,983)
	148,326	134,563
Total inventory	**339,644**	258,223

Accounting for inventories

Land held for resale and development costs

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs. When development is completed borrowing costs are expensed as incurred. Other holding costs are expensed as incurred. 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.

Estimates of net realisable value ('NRV') of inventories

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. The net realisable value amount has been determined based on the current future estimated cash flow of the projects. Realisation is dependent on the ability to meet forecasted/estimated cash flows. These estimates take into consideration fluctuation of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Consistent with previous periods, key estimates have been reviewed including the costs of completion and dates of completion.

Notes to the consolidated financial statements
30 June 2015 (continued)

B1 Inventories (continued)

Borrowing costs

Borrowing costs included in the cost of land held for resale are those costs that the Company incurs in connection with the borrowing of funds. Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset such as inventories are capitalised using the interest incurred method. In these circumstances, borrowing costs are capitalised to the cost of the assets whilst in active development until the assets are ready for their intended use or sale. In the event that a development is suspended for an extended period of time the borrowing costs are recognised as expenses.

B2 Trade and other receivables

Accounting for trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis and at balance date, specific impairment losses are recorded for any doubtful accounts.

Trade receivables are recognised in accordance with the Company's revenue recognition policy (refer Note A1). Also considered in this process is the ageing of the trade receivables, the settlement history of the buyer and any current feedback or other information known regarding the buyer. Collectability of trade receivables is generally upon settlement or per the terms of the contract. As at 30 June 2015 the balance of trade receivables is $41.1 million and they are expected to be received when due.

Other receivables generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained and settlement is generally no more than 60 days from date of recognition. These balances do not contain impaired assets and based on credit history, it is expected that these other balances will be received when due.

Trade receivables due from related parties includes the project management fee the Company will receive for the sale of Eynesbury. The amount of $0.6 million is due on settlement of the second tranche scheduled for 28 August 2015.

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Trade receivables	**271**	977
Trade receivable properties	**40,156**	13,848
Trade receivables due from related parties	**660**	660
	41,087	15,485
Other receivables	**820**	1,414
Total trade and other receivables	**41,907**	16,899

The Company's credit risk management policy is discussed in note C6 (b) - Credit risk.

The ageing of current trade receivables is as follows:

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
1 to 3 months	**37,715**	14,698
3 to 6 months	**3,372**	-
Over 6 months	**-**	787
	41,087	15,485

Past due but not impaired

As of 30 June 2015, the trade receivables of the Company of $nil (30 June 2014: $nil) were past due but not impaired.

Notes to the consolidated financial statements
30 June 2015 (continued)

B3 Trade and other payables

Accounting for trade and other payables

Trade and other payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost using the effective interest method. Trade and other payables are recognised as current if they are due within 12 months of the reporting date.

Land acquisitions represent amounts payable for the purchase of inventory secured for the purpose of land development, residential construction and resale. Trade payables represent the liability for goods and services provided to the Company prior to the end of financial year which are unpaid. Other payables are unsecured amounts.

The Company maintains a rolling cash flow to ensure its operational requirements are met within the contractual terms of the agreements; whilst providing sufficient flexibility to fund growth, working capital requirements and future strategic opportunities.

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Current liabilities		
Land acquisitions	**65,627**	30,403
Sub-contractors and materials	**5,931**	4,510
Total trade payables	**71,558**	34,913
Other current payables		
Accrued expenses	**21,671**	19,166
Other payables[1]	**3,223**	777
Total current other payables	**24,894**	19,943
Total current trade and other payables	**96,452**	54,856
Non-current liabilities		
Land acquisitions	**3,408**	-
Other payables[2]	**2,518**	1,520
Total non-current trade and other payables	**5,926**	1,520
Total payables	**102,378**	56,376

[1]Includes derivatives payable of $1.6 million (30 June 2014: $0.6 million). Refer note C6(d) - Fair value measurements.
[2]Includes derivatives payable of $2.2 million (30 June 2014: $1.4 million). Refer note C6(d) - Fair value measurements.

B4 Provisions and contingencies

Accounting for provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(a) Service warranties

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Current liabilities		
Service warranties	**14,983**	10,079
Total current provisions	**14,983**	10,079

Notes to the consolidated financial statements
30 June 2015 (continued)

B4 Provisions and contingencies (continued)

(a) Service warranties (continued)

A provision for warranties is recognised when the underlying products or services are sold. 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. Where the Company 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 following statutory warranty periods generally apply to the Company's housing products:

- Queensland - 6 years 6 months from completion of work
- Victoria - 10 years from issue of occupancy certificate
- New South Wales - 10 years from occupation certificate

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 Company 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.

(b) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it includes all unconditional entitlements where employees have completed the required period of service. Included within the long service leave provision is an amount of $120,505 (30 June 2014: $82,804) classified as current, since the Company 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.

(c) Movements in provisions

Consolidated entity	Service warranties 30-Jun-15 $'000	Service warranties 30-Jun-14 $'000
Current liabilities		
Carrying amount at the start of the year	**10,079**	5,900
- additional provisions recognised	**10,213**	6,679
Amounts incurred and charged	**(5,309)**	(2,500)
Carrying amount at end of period	**14,983**	10,079

(d) Legal claims

Home warranty claim - Thornleigh

A claim of $6.8 million was made against the Company in respect of defects at the Wild Ash Grove development in Thornleigh, NSW. This was first disclosed in detail in the annual report for the year ended 30 June 2010 as a contingent liability.

Pursuant to a referee determination and subsequent Court adoption hearing, the Company was found liable for the Plaintiff's damages in the amount of $3.6 million, which the Company has paid. The Company has also been ordered to pay a proportion of the costs incurred by the Plaintiff and certain other Defendants. The Company's liability for those costs has been estimated at $3.2 million and it is expected that this will be paid during the 2016 financial year.

Estimating this provision requires the exercise of significant judgement and it is therefore possible that actual amounts may differ from this estimate.

Notes to the consolidated financial statements
30 June 2015 (continued)

B4 Provisions and contingencies (continued)

(d) Legal claims (continued)

Silverstone Litigation

The Silverstone litigation relates to alleged defects at a residential building located in Tweed Heads, NSW. The building comprises 27 units and was completed in 2009. A Villa World subsidiary, Villa World Developments Pty Ltd, was the registered builder. Villa World Developments Pty Ltd engaged independent subcontractors to carry out construction.

Progress in the Silverstone litigation during 2H15 has enabled the directors to make a reliable estimate of the financial impact. The Company has made a provision as at 30 June 2015 of approximately $6.5 million for its proportion of the potential claim against it by the Silverstone owners corporation and unit owners. This is in addition to the provisions for legal fees and experts costs which have been made since 30 June 2012 and expensed through Cost of Sales. The Silverstone litigation has previously been noted as a contingent liability in the Company's financial statements for the years ending 30 June 2012, 30 June 2013, and 30 June 2014.

Estimating the provisions 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 Liabilities and Contingent Assets* is not disclosed on the grounds that it is expected to prejudice the outcome of the potential litigation.

(e) Contingencies

(i) Estimates of material amounts of contingent liabilities not provided for in the financial report

The Company has 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 Company's building activities. It is impractical to estimate the amount that may arise from these arrangements. There were no claims made against the Company at 30 June 2015 (30 June 2014: nil).

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. There were no claims made against the Company at 30 June 2015 (30 June 2014: nil).

The Company has provided bank guarantees to the total of $13.0 million (30 June 2014: $11.0 million) to authorities and councils in relation to certain works to be undertaken or maintained or in support of contractual commitments. Refer note C4 (a) - Borrowings.

(ii) Contingent liabilities in respect of other entities

The Company has provided guarantees in respect of the loan facility for the Eynesbury and Donnybrook joint ventures. The special conditions of the debt facility limit the maximum principal amount recoverable from the Company to 50% in respect of Eynesbury and 51% for Donnybrook of the principal outstanding, interest and reasonable costs. As at 30 June 2015, the Eynesbury facility (at 100%) was drawn to $10.0 million and $0.2 million of bank guarantees were issued (30 June 2014: $10.0 million and $0.3 million bank guarantees). The Donnybrook debt facility (at 100%) was drawn to $5.1 million as at 30 June 2015 (30 June 2014: nil).

Notes to the consolidated financial statements
30 June 2015 (continued)

B5 Capital and other 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 and in Victoria.

The call 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 put option gives the vendor the right to sell to the Company at a nominated price on expiry of the call option sunset date. The potential total commitments remaining under the Agreements are $32.9 million (30 June 2014: $38.5 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.

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Capital commitments in relation to put and call arrangements		
Opening balance	**38,465**	43,798
Crystallised and paid commitments	**(30,493)**	(30,375)
Arrangements entered into during the year	**24,896**	25,042
Total commitments	**32,868**	38,465

(b) Lease commitments

Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Non-cancellable operating leases

The Company has entered into leases for office space on normal commercial terms with lease terms between three and five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

Future commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Within one year	**357**	233
Later than one year but not later than five years	**1,018**	965
Later than five years	**-**	20
	1,375	1,218

C CAPITAL STRUCTURE, FINANCE COSTS AND FINANCIAL RISK MANAGEMENT

This section outlines how the Company manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

In this section:

C1 Capital risk management

The Company's objectives when managing capital are 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.

In order to maintain or adjust the capital structure, the group will consider a range of alternatives which may include:

- raising or reducing borrowings
- adjusting the dividend policy
- issue of new securities
- return of capital to shareholders
- sale of assets.

Capital strength remained a strategic focus area and during the year the Company restructured its debt facility and completed a successful capital raising in January 2015. This allowed the Company to:

- pursue growth opportunities through the development of the existing portfolio
- reinvest in the business through value accretive acquisitions
- grow dividends
- strengthen balance sheet.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total 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).

The Company's policy is to continue to manage debt levels and maintain the gearing ratio between 15% and 30%. As at 30 June 2015, the gearing ratio was 16.9% (30 June 2014: 18.7%).

The Company has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

		Consolidated	
	Notes	**30-Jun-15 $'000**	30-Jun-14 $'000
Total borrowings (excluding bank guarantees)	C4	**92,044**	69,086
Less: Cash and cash equivalents		**(22,571)**	(12,118)
Net debt		**69,473**	56,968
Total assets		**432,673**	317,269
Less: Cash and cash equivalents		**(22,571)**	(12,118)
		410,102	305,151
Gearing ratio		**16.9%**	18.7%

Notes to the consolidated financial statements
30 June 2015 (continued)

C2 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.

	30-Jun-15 2015 Shares '000	30-Jun-14 2014 Shares '000	30-Jun-15 $'000	30-Jun-14 $'000
Ordinary shares				
Opening balance	93,664	73,539	413,375	382,125
Shares issued as part of the capital raising [1]	14,050	17,000	26,693	27,200
Shares issued as part of the share purchase plan[2]	2,630	3,125	5,000	5,000
Transaction costs from capital transactions net of tax	-	-	(782)	(950)
	110,344	93,664	444,286	413,375

[1]On 29 January, Villa World Limited announced it had completed a fully underwritten institutional placement to raise $26.7 million. The placement was completed at an issue price of $1.90 per share, representing a 10.0% discount to the closing price of the Company's shares on 27 January 2015, a 7.0% discount to the volume weighted average price for the five trading days prior to the announcement of the placement and a 4.7% discount to the volume weighted average price for the 10 days prior to this announcement.

[2]The record date for the share purchase plan was 28 January 2015. The share purchase plan was offered at the same price per share as the institutional placement.

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company 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.

(b) Options

Information relating to the Company, including details of options issued, exercised and lapsed during the financial year, is set out in the Remuneration report on page 32 and in note E2 (b) - Equity instrument disclosures relating to key management personnel.

C3 Other reserves

(a) Movements in other reserves

	Notes	Consolidated 30-Jun-15 $'000	Consolidated 30-Jun-14 $'000
(i) Profits reserve			
Opening balance		166,013	-
Transfer opening retained profits		-	150,342
Transfer current year profit		25,587	21,291
Dividends provided for or paid	A4(a)	(15,050)	(5,620)
Closing balance		176,550	166,013

Notes to the consolidated financial statements
30 June 2015 (continued)

C3 Other reserves (continued)

(a) Movements in other reserves (continued)

	Notes	Consolidated 30-Jun-15 $'000	Consolidated 30-Jun-14 $'000
(ii) Hedging reserve - cash flow hedges			
Opening balance		**(1,413)**	(657)
Revaluation - gross		**(1,805)**	(1,080)
Deferred tax	A5(d)	**541**	324
Closing balance		**(2,677)**	(1,413)

	Notes	Consolidated 30-Jun-15 $'000	Consolidated 30-Jun-14 $'000
(iii) Share-based payments			
Opening balance		**174**	220
Share-based payments expense	E2(c)	**143**	174
Transfer options lapsed to retained earnings		**-**	(220)
Closing balance		**317**	174
Total other reserves		**174,190**	164,774

(b) Nature and purpose of other reserves

(i) Profits reserve

The profits reserve represents opening retained profits and current year profits transferred to a reserve to preserve the characteristic as a profit and not allocate against prior year accumulated losses. Any such profits are available to enable payment of franked dividends in the future should the Directors declare by resolution. Profits are determined and transferred on an entity basis. Losses are retained by the entity.

(ii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss (for instance when the forecast transaction that is hedged takes place).

(iii) Share-based payments

The share-based payments reserve is used to recognise the fair value of options issued to key management personnel and executives. Refer note E2 (b) - Equity instrument disclosures relating to key management personnel and the Remuneration report on page 32.

C4 Borrowings

Accounting for borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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 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.

Notes to the consolidated financial statements
30 June 2015 (continued)

C4 Borrowings (continued)

Accounting for borrowings (continued)

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.

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

(a) Financing arrangements

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

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Total financing facilities secured (i)		
Australian and New Zealand Banking Group	**130,000**	155,000
Westpac Banking Corporation	**50,000**	-
	180,000	155,000
Facilities utilised at reporting date		
Loan (secured) (i) - non-current	**92,044**	69,086
	92,044	69,086
Bank guarantees utilised at reporting date		
Loan (secured) (i)	**12,981**	11,026
	12,981	11,026
Facilities unutilised at reporting date		
Loan (secured) (i)	**74,975**	74,888
	74,975	74,888

(i) Club facility

On 4 March 2015 the Company entered into a $180.0 million Club Financing Arrangement (Club Facility) with Australia and New Zealand Banking Group Limited (ANZ) and Westpac Banking Corporation (Westpac). The Club Facility replaces the $155 million bilateral multi-option facility agreement with ANZ and comprises a facility of $130.0 million with ANZ expiring on 30 October 2016 and a facility of $50.0 million with Westpac expiring on 2 March 2018.

As at 30 June 2015 the facility was drawn exclusive of bank guarantees at $92.0 million (30 June 2014: $69.1 million). Bank guarantees issued total $13.0 million (30 June 2014: $11.0 million). The bank guarantees are also disclosed in note B4 (e) - Contingencies.

No restrictions have been imposed on this facility by the financiers during the year ending 30 June 2015 and drawdowns continue to be made in the ordinary course of business. All 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. The Company entered into interest rate swap contracts to fix the interest rate at 3.69% (excluding the margin and line fees applicable under the loan agreement) on $90 million of borrowings. Refer to note C6 (d) (ii) - Derivative financial instruments. The swap contract matures on 12 June 2018.

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

Notes to the consolidated financial statements
30 June 2015 (continued)

C5 Finance costs

(b) Assets pledged as security

All of the consolidated entity's assets are pledged as security for the Company's finance facilities. The carrying amounts of assets pledged as security are set out below:

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Total inventory:		
Current inventory	**191,318**	123,660
Non-current inventory	**148,326**	134,563
Aggregate carrying amount	**339,644**	258,223

Accounting for 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.

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Loan interest and charges		
Other financial institutions	**6,616**	5,073
Unwind of discount deferred consideration	**1,436**	1,268
Borrowing costs	**551**	364
	8,603	6,705
Amount capitalised[1]	**(3,096)**	(2,451)
Unwind of amount capitalised	**4,689**	3,371
Total finance costs included within the income statement	**10,196**	7,625

[1]The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, including line fees and margins, in this case 7.80% (30 June 2014: 7.80%).

C6 Financial risk management

The Company's activities are exposed to a variety of financial risks:

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate risk	Borrowings at variable rates	Cash flow forecasting, sensitivity analysis	Interest rate swaps
Credit risk	Cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, credit exposure of outstanding receivables	Ageing analysis, credit ratings, management of deposits	Ongoing management review, contractual arrangements
Liquidity risk	Borrowings and other liabilities	Management of cash flows and forecast, gearing analysis	Availability and flexibility of financing facilities

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 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. Risk management is carried out by the finance department under oversight from the Board.

The Company'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 Company.

Notes to the consolidated financial statements
30 June 2015 (continued)

C6 Financial risk management (continued)

The Company holds the following financial instruments:

	Valuation basis	Consolidated 30-Jun-15 $'000	30-Jun-14 $'000
Financial assets			
Cash and cash equivalents	Amortised cost	**22,571**	12,118
Trade and other receivables	Amortised cost	**41,907**	16,899
Financial liabilities			
Trade and other payables	Amortised cost	**102,378**	54,358
Borrowings	Amortised cost	**92,044**	69,086
Derivative payable	Fair value	**3,823**	2,019

(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. The Company's market risk arises from its interest rate risk.

Interest rate risk

The Company's main interest rate risk arises from borrowings issued at variable interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. The Company agrees to exchange, at specified intervals, the difference between fixed and variable interest rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations.

The Company policy is to maintain a minimum of $90.0 million (2014: $70.0 million) of its borrowings fixed by way of interest rate swaps.

As at the end of the reporting period, the Company had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated entity	30 June 2015 Weighted average interest rate[1] %	30 June 2015 Balance $'000	30 June 2014 Weighted average interest rate[1] %	30 June 2014 Balance $'000
Club facility	**2.1%**	**92,044**	2.7%	69,086
Interest rate swaps - syndicated loans	**3.7%**	**(90,000)**	3.5%	(70,000)
Net exposure to cash flow interest rate risk		**2,044**		(914)

[1]Does not include any margin and line fees applicable under the loan agreement.

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

Sensitivity analysis

At 30 June 2015, if interest rates had changed by -/+ 25 basis points from the year end rates with all other variables held constant, post-tax profits for the year, would have been $0.02 million lower/higher (30 June 2014: $0.03 million lower/higher), mainly as a result of higher/lower interest expense from interest bearing liabilities. Other components of equity would have been $0.6 million lower/higher (30 June 2014: $0.8 million lower/higher) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

(b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or contractual arrangement. Credit risk is managed on a consolidated basis.

Notes to the consolidated financial statements
30 June 2015 (continued)

C6 Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Credit risk arises primarily from trade receivables relating to the sale of properties (including the sale of house and land packages or land only) but also from the Company's cash and deposits with financial counterparties.

(i) Trade and receivables

This group of receivables is primarily from the sale of land or house and land packages.

The Company's revenue recognition policy is set out in note A1 - Revenue and gross profit and in note B2 - Trade and other receivables.

The Company has no significant concentrations of credit risk to any single counterparty for trade receivables. The Company also has policies to ensure that sales of properties are made to customers with an appropriate credit history. Trade receivables are secured against those properties until the proceeds are received.

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

The Company did not recognise any impairment losses in the current year (30 June 2014:$Nil).

Overall, the trade receivable balance is low relative to the scale of the balance sheet and, owing to the short-term nature of the ageing of the balance, the credit risk of trade receivables is considered to be low.

(ii) Cash and deposits

For cash and deposits held with banks and financial institutions, only independently rated parties with a minimum rating of "AA "- are accepted.

(c) Liquidity risk

This is the risk that suitable funding for the Company's activities may not be available. The Company addresses this risk through review of rolling cash flow forecasts throughout the year to assess and monitor the current and forecast availability of funding, and to ensure sufficient headroom against facility limits and compliance with banking covenants.

At 30 June 2015, the Company carried forward 364 sales contracts worth $134.1 million (incl GST). Of these 349 contracts worth $130.1 million will settle in 1H16. Further detail is provided in the Operating and Financial Review on page 9.

Furthermore, the Company's policy is to minimise its exposure to liquidity risk by managing its refinancing risk. Refinancing risk may be reduced by reborrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk. This is subject to credit facilities being available at the time of the desired refinancing.

The Company's gearing policy is discussed in note C1 - Capital risk management and the Company's borrowings are set out in Note C4 - Borrowings.

During 2015 the Company entered into a Club Financing Arrangement with Australia and New Zealand Banking Group Limited (ANZ) and Westpac Banking Corporation (Westpac), to provide funding for the Company's ongoing requirements for its core business.

The Company's borrowings were previously concentrated to a single credit provider being ANZ. The Board considers using two credit providers will minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. Each facility with ANZ and Westpac is able to be negotiated and extended with the consent of that lender, independent of the other. Refer note C4 - Borrowings.

At 30 June 2015 the company had unutilised borrowing facilities of $75.0 million (30 June 2014: $74.9 million).

Notes to the consolidated financial statements
30 June 2015 (continued)

C6 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities

The table below analyses the Company's financial liabilities including derivatives into relevant maturity groupings based on the period remaining to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and therefore may not reconcile with the amounts disclosed on the Balance Sheet. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

Contractual maturities of financial liabilities At 30 June 2015	Less than 6 months $'000	6 - 12 months $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Total contrac-tual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives							
Commitments	**1,628**	**-**	**18,077**	**13,163**	**-**	**32,868**	**-**
Trade payables	**47,313**	**19,985**	**7,668**	**-**	**-**	**74,966**	**74,966**
Club facility	**2,872**	**2,847**	**60,362**	**36,841**	**-**	**102,922**	**92,044**
Total non-derivatives	**51,813**	**22,832**	**86,107**	**50,004**	**-**	**210,756**	**167,010**
Derivatives							
Net settled (interest rate swaps)	**835**	**753**	**1,325**	**910**	**-**	**3,823**	**3,823**
	835	**753**	**1,325**	**910**	**-**	**3,823**	**3,823**
At 30 June 2014							
Non-derivatives							
Commitments	11,175	11,950	15,340	-	-	38,465	-
Trade payables	32,912	2,000	-	-	-	34,912	34,912
Club facility	2,661	2,618	5,293	70,765	-	81,337	69,086
Total non-derivatives	46,748	16,568	20,633	70,765	-	154,714	103,997
Derivatives							
Net settled (interest rate swaps)	287	312	776	644	-	2,019	2,019
Total derivatives	287	312	776	644	-	2,019	2,019

The Company expects to meet its financial liabilities through the various available liquidity sources, including sale contracts carried forward, cash deposits, undrawn committed borrowing facilities and, in the longer-term, debt refinancings.

(d) Fair value measurements

(i) Carrying amounts versus fair values

At 30 June 2015, the carrying amounts of the Company's financial assets and liabilities approximate their fair values.

(ii) Derivative financial instruments

The Company 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 Company's financial risk management policies, the Company does not hold or issue derivative financial instruments for trading purposes.

It is policy to protect part of the Club Facility of $180.0 million from exposure to fluctuating interest rates. Accordingly the Company has entered into an interest rate swap contract 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 is designated as a cash flow hedging instrument.

C6 Financial risk management (continued)

(ii) Derivative financial instruments (continued)

The Club facility for the Company bears an average variable interest rate of 7.8% (including line and facility fees).

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

Interest rate swap	Amount hedged $'000	Expiry date	Loan facility $'000	Percent hedged %[1]	Fixed rate %[2]	Variable rate as at 30-Jun-15 %[3]	Valuation as at 30-Jun-15 $'000
Club Facility - Swap	90,000	12-Jun-18	180,000	50.0%	3.69%	2.09%	3,823

1. % of loan facility limit.
2. The swap rate outlined above does not include any margin and line fees applicable under the loan agreement.
3. Variable rate is 30 day BBSY @ 30 June 2015.

The fair value of the interest rate swap liability at 30 June 2015 was $3.8 million (30 June 2014: $2.0 million).

The fair value of the interest rate swap 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, forward interest yield curves and the current creditworthiness of the swap counterparties. The fair value of interest rate swap is calculated as the present value of the estimated future cash flows.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. There is no material ineffectiveness for the year ended 30 June 2015.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit and loss.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value categories.

The fair value measurement of interest rate swap liability of $3.8 million (30 June 2014: $2.0 million) has been categorised as Level 2. This is the Company's only financial instrument included on the balance sheet measured at fair value.

Notes to the consolidated financial statements
30 June 2015 (continued)

D GROUP STRUCTURE

This section provides information which will help users understand how the group structure affects the financial position and performance of the Company as a whole.

In this section:

D1 Subsidiaries

Accounting for subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries at 30 June 2015. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the entity's activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Company are eliminated. Unrealised losses are also 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 Company. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Significant investments in subsidiaries

Name of entity Parent entity Villa World Limited	Country of incorporation	Class of shares	Equity holding 2015 %	2014 %
Villa World Developments Pty Ltd	Australia	Ordinary	**100**	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 [1]	Australia	Ordinary	**-**	100
Cotton Ventures Pty Ltd [1]	Australia	Ordinary	**-**	100
Westminster Street Developments Pty Ltd [1]	Australia	Ordinary	**-**	100
Villa World Redlands Pty Ltd	Australia	Ordinary	**100**	100
Villa World Greenacre Pty Ltd	Australia	Ordinary	**100**	-
Villa World Thornlands Pty Ltd	Australia	Ordinary	**100**	-
Villa World Pinelands Pty Ltd	Australia	Ordinary	**100**	-
Villa World Seascape Pty Ltd	Australia	Ordinary	**100**	-
Villa World Rochedale Pty Ltd	Australia	Ordinary	**100**	-

[1] These companies were de-registered during FY15.

D2 Investments accounted for using equity

A joint venture is either a venture or operation over whose activities the Company has joint control established by contractual agreement. Investments in joint venture entities are accounted for on an equity accounted basis. Under the equity method, the share of profits or losses of the joint venture are recognised in the income statement. The share of post-acquisition movements in reserves is recognised in other comprehensive income.

Investments in joint ventures are assessed for impairment when indicators or impairment are present and if required, written down to the recoverable amount. Transactions with the joint venture are eliminated to the extent of the Company's interest in the joint venture until such time as they are realised by the joint venture on consumption or sale.

Notes to the consolidated financial statements
30 June 2015 (continued)

D2 Investments accounted for using equity (continued)

The Company has the following interests in jointly controlled entities:

Name of Entity	Notes	% Owned	Purpose
Eynesbury Holdings Pty Ltd	D2(a)	50	The owner of the Eynesbury Development Joint Venture Land, Victoria, as Trustee.
Eynesbury Pastoral Trust	D2(a)	50	The owner of the Eynesbury Development Joint Venture Land, Victoria.
Eynesbury Golf Pty Ltd		50	The golf course and homestead hospitality business were sold and settled during FY15. This entity will be wound up in due course.
Eynesbury Development Joint Venture		50	Residential development at Eynesbury, Victoria.
Expression Homes Pty Ltd		50	Residential development and construction projects primarily in Victoria.
Donnybrook JV Pty Ltd		51	Residential development at Donnybrook, Victoria

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

	Eynesbury Joint Venture		Donnybrook Joint Venture		Total	
	30-Jun-15 $'000	30-Jun-14 $'000	**30-Jun-15 $'000**	30-Jun-14 $'000	**30-Jun-15 '000**	30-Jun-14 '000
Opening balance	**17,968**	13,701	**-**	-	**17,968**	13,701
Add: Cash contribution	**-**	500	**6,366**	-	**6,366**	500
Add: Share of net profit / (loss) of associates and joint ventures	**1,934**	3,767	**(106)**	-	**1,828**	3,767
Less: Repayment to Company	**(9,000)**	-	**(383)**	-	**(9,383)**	-
Total	**10,902**	17,968	**5,877**	-	**16,779**	17,968

(a) Eynesbury joint venture

Summarised financial information of the Eynesbury joint venture is set out below:

	30-Jun-15 $'000	30-Jun-14 $'000
Villa World's share of joint ventures' assets and liabilities		
Current assets, including cash and cash equivalents $15.7m (2014:$29.4m) and trade debtors $24.4m (2014:$25.5m).	**44,359**	58,666
Non-current assets	**2,567**	1,198
Total assets	**46,926**	59,864
Current liabilities including bill facility $10.0m (2014:$10.0m)	**20,433**	15,608
Non-current liabilities including related party loans of $38.8m (2014:$56.8m)	**38,789**	57,132
Total liabilities	**59,222**	72,740
Equity	**(12,296)**	(12,876)
Proportion of the Company's ownership	**50%**	50%
Equity attributable to the investment	**(6,148)**	(6,438)

Notes to the consolidated financial statements
30 June 2015 (continued)

D2 Investments accounted for using equity (continued)

(a) Eynesbury joint venture (continued)

	30-Jun-15 $'000	30-Jun-14 $'000
Equity	**(12,296)**	(12,876)
Estimate of loans to be forgiven	**34,100**	30,812
Repayment to Company	-	18,000
Net asset position after loan forgiveness	**21,804**	35,936
Proportion of the Company's ownership	**50%**	50%
Equity attributable to the investment	**10,902**	17,968

The non-current liabilities include loans to the Joint Venture partners totaling $38.8 million which have not been forgiven in the Joint Venture. It is anticipated that $34.1 million of these loans will be forgiven in due course resulting in a net asset position of approximately $22.0 million (50% share of $11.0 million).

Villa World's aggregate share of joint ventures revenue, expenses and results	30-Jun-15 $'000	30-Jun-14 $'000
Revenue	**3,727**	71,269
Expenses	**140**	(63,734)
Profit / (loss) before income tax	3,867	7,535
Company's share of profit for the year	**1,934**	3,767
Villa World's aggregate share of joint ventures contingent liabilities		
Bank guarantees	**242**	178

The equity accounted investment in the Company's Eynesbury Township joint venture as at 30 June 2015 is $10.9 million (30 June 2014 $18.0 million).

As previously disclosed the Company has entered into unconditional contracts for the sale of the Eynesbury project (in which the Company holds a 50% interest). On 27 June 2014 the first tranche (comprising part of the land and the golf course business) was completed at a sale price of $30.0 million plus GST.

Settlement of the second $30.0 million tranche, originally scheduled for 2 March 2015 has been extended until 28 August 2015, subject to appropriate commercial terms including the provision of further security, payment of interest and a $2.0 million increase to the purchase price. The Company's 50% share ($1.0 million) has not been recognised as at 30 June 2015. Payments totaling $12.0 million have previously been made by the purchaser for the second tranche, and released to the Eynesbury Joint Venture. Title to the second tranche property currently remains with the Eynesbury Joint Venture.

For the Eynesbury joint venture entities, the joint venture parties have agreed that they will share liabilities in the same proportion as their holdings in the joint venture (50% each). If the parties have entered an agreement which creates on each of them a joint and several (unlimited) liability to a third party, they have agreed to indemnify each other to the extent that one of them is required to pay more than 50% of the liability to a third party.

(b) Donnybrook joint venture

As previously disclosed, the Company in joint venture partnership, has entered into unconditional contracts for the purchase of two adjoining sites at Donnybrook, Victoria (in which the Company holds a 51% interest). A total price of $22.8 million has been agreed for the two sites, securing a landholding of approximately 270ha in one of Melbourne's fastest growing urban corridors. The sites are located within the Urban Growth Boundary, and will be the subject of a 2.5-3 year planning process potentially yielding in excess of 2,000 lots. On 19 December 2014 the first site was completed at a sale price of $12.7 million. Settlement of the adjoining site at a sale price of $10.1 million is due on 26 August 2015.

The equity accounted investment in the Company's Donnybrook joint venture as at 30 June 2015 is $5.9 million (30 June 2014: nil).

Notes to the consolidated financial statements
30 June 2015 (continued)

D2 Investments accounted for using equity (continued)

Impairment of equity accounted investments

After application of the equity method, (including recognising the joint venture's losses), the Company 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). Estimating these future cash flows of the joint venture requires significant judgement and therefore actual amounts may differ from this impairment estimate.

D3 Parent entity financial information

The financial information for the Parent entity, Villa World Limited has been prepared on the same basis as the consolidated financial statements. Investments in controlled entities are carried in the Company's financial statements at the lower of cost or recoverable amount. Villa World Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer note A5 - Taxes.

(a) Summary financial information

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

	30-Jun-15 $'000	30-Jun-14 $'000
Balance sheet		
Current assets	**17,835**	15,702
Net assets	**199,605**	179,842
Shareholders' equity		
Issued capital	**120,573**	89,662
Reserves	**79,212**	89,960
Retained earnings	**(180)**	220
Total equity	**199,605**	179,842
Profit / (loss) for the period	**4,018**	3,923

(b) Contingent liabilities of the parent entity

The parent entity has provided a financial guarantee in respect of the Club Facility with Australia and New Zealand Banking Group and Westpac Banking Corporation. Details of the parent entities contingent liabilities are disclosed in note B3 - Provisions and contingencies.

Notes to the consolidated financial statements
30 June 2015 (continued)

E OTHER INFORMATION

This section provides the remaining information relating to the Company that must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 or the Corporations Regulations.

In this section:

E1 Basis of preparation

These general purpose 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 Villa World Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments) which are measured at fair value through profit or loss.

(iii) 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 Company'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 within the relevant note. 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.

(iv) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Villa World Limited.

E2 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	30-Jun-15	30-Jun-14
	$	$
Short-term employee benefits	**1,406,453**	1,521,997
Post-employment benefits	**66,142**	62,590
Long-term benefits	**8,259**	14,911
Termination benefits	**445,692**	-
Share-based payments	**83,333**	133,333
	2,009,879	1,732,831

Detailed remuneration disclosures are provided in the remuneration report on pages 27 to 34.

Notes to the consolidated financial statements
30 June 2015 (continued)

E2 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel

Villa World Limited Option Plan

Share-based compensation benefits are provided to key personnel via an employee option scheme. 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. Under the terms of the options granted to date, the options will only vest if the participating key management personnel continue their respective service agreements with the Company for three years from the grant date.

The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. 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. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The assessed fair value of the options as at the grant date is independently determined using a Binomial Option Price Valuation Model, taking into account the terms and conditions upon which the share options were granted.

The volatility assumption is representative of the level of uncertainty expected in the movements of the share price over the life of the option. The historic volatility of the market price of the Company's shares 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 to key management personnel and other senior employees under the Option Plan which will effect remuneration in the future reporting period:

Grant date	Granted as compensation	Forfeited / lapsed during year	Balance as at 30 June 2015	Expiry date	Vesting date	Exercise price	Expected price volatility of shares	Expected dividend yield	Risk free interest rate
26/7/2013	4,500,000	750,000	3,750,000	26/7/2013	26/7/2016	$1.25	25%	9.0%	2.57%
5/11/2013	250,000	-	250,000	5/5/2017	5/11/2016	$1.60	30%	5.5%	3.15%
17/2/2014	150,000	-	150,000	11/8/2017	11/2/2017	$1.60	30%	7.1%	3.10%

1. The value of options at grant date is 10 cents per option for those issued on 26 July 2013, 27 cents per option for those issued on 5 November 2013 and 41 cents per option for those issued 17 February 2014. The value of options are calculated in accordance with AASB2 Share-based Payments.

(c) Expenses arising from share-based payment transactions

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

	Consolidated 30-Jun-15 $'000	30-Jun-14 $'000
Options issued to key management personnel	**83**	133
Options issued to senior employees	**60**	41
	143	174

(d) Loans to KMP

For the financial year ended 30 June 2015, there were no loans to key management personnel (2014: $nil).

Notes to the consolidated financial statements
30 June 2015 (continued)

E3 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the Lead Auditor of the consolidated entity, its related practices and non-related audit firms:

(a) Ernst & Young

	Consolidated	
	30-Jun-15	30-Jun-14
	$	$
Audit and other assurance services		
Audit and review of financial statements	**130,000**	114,979
Other services provided by Ernst & Young		
Other services	**103,611**	87,037
Total remuneration of Ernst & Young	**233,611**	202,016

(b) Non-Ernst & Young related audit firms

	Consolidated	
	30-Jun-15	30-Jun-14
	$'000	$'000
Audit and other assurance services		
Audit and review of financial statements	-	42,543
Other services provided by non-Ernst & Young audit firms		
Taxation services	**123,384**	8,311
Other services	**56,450**	18,570
Total remuneration of non-Ernst & Young audit firms	**179,834**	69,424

E4 Events occurring after the reporting period

Final Dividend

On 18 August 2015 the Board declared a fully franked final dividend of 10.0 cents per share. The ex-dividend date is 1 September 2015 and the record date for this dividend is 3 September 2015. Payment will be made on 30 September 2015.

As at 30 June 2015, an amount of $10.3 million is held as franking credits in the Company.

Investment in the Eynesbury Joint Venture

As previously disclosed the Company has entered into unconditional contracts for the sale of the Eynesbury project (in which the Company holds a 50% interest). On 27 June 2014 the first tranche (comprising part of the land and the golf course business) was completed at a sale price of $30.0 million plus GST.

Settlement of the second $30.0 million tranche, originally scheduled for 2 March 2015 has been extended until 28 August 2015, subject to appropriate commercial terms including the provision of further security, payment of interest and a $2.0 million increase to the purchase price. The Company's 50% share ($1.0 million) has not been recognised as at 30 June 2015. Payments totaling $12.0 million have previously been made by the purchaser for the second tranche, and released to the Eynesbury Joint Venture. Title to the second tranche property currently remains with the Eynesbury Joint Venture.

As at 30 June 2015 the equity accounted investment in the Eynesbury Joint Venture was $10.9 million.

ANZ Facility

During August 2015 Villa World and ANZ have agreed a credit approved term sheet to effect the following extension to the ANZ facility: $80 million to March 2019 and $50 million to October 2020. The formal documentation process is expected to be completed in September 2015.

Notes to the consolidated financial statements
30 June 2015 (continued)

E5 Other accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Villa World Limited and its subsidiaries.

(a) Expense recognition

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

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Depreciation

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment, including leased equipment, over its expected useful life to the consolidated entity. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The expected useful lives of property, plant and equipment are:

-	Vehicles	3 - 5 years
-	Plant and equipment	3 - 10 years
-	Leasehold improvements	2 - 8 years
-	Information technology	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(c) Impairment of assets

The carrying amounts of the Company'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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Notes to the consolidated financial statements
30 June 2015 (continued)

E5 Other accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(e) Employee benefits

(i) Short-term obligations

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 as the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise. The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Bonus plans

The Company recognises a liability and an expense for bonuses. The Company recognises a liability where it is contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets/liabilities (other than receivables) are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the 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 presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(g) Rounding of amounts

The Company 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(h) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2015. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company are set out on the following page.

Notes to the consolidated financial statements
30 June 2015 (continued)

E5 Other accounting policies (continued)

(h) New accounting standards and interpretations (continued)

(i) AASB 9 Financial Instruments and its consequential amendments

AASB 9 Financial Instruments includes requirements for the classification, measurement and derecognition of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable to the Company until 1 July 2018 but is available for early adoption. The Company is currently assessing the impact of the new guidance.

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts and Customers establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2017 but is available for early adoption. The Company is currently assessing the impact of the new guidance.

The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. As this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 have been adopted by the Company. The Company has assessed the impact of these new standard and interpretations and has determined there is no material impact.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company.

Directors' declaration
30 June 2015

In the Directors' opinion:

(a) the financial statements and notes set out on pages 38 to 75 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 entity's financial position as at 30 June 2015 and of its performance for the 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 E1 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 Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of Directors.

Craig Treasure
Chief Executive Officer and Managing Director
Gold Coast
18 August 2015

Building a better working world

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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, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note E1, 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 about 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 judgment, 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 controls relevant to the 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 controls. 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note E1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 27 to 34 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Villa World Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
18 August 2015

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 6 August 2015)

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

	No of shares held
Quest Asset Partners Pty Ltd	6,536,757
LHC Capital Partners Ltd	6,500,000
Brazil Farming Pty Ltd	5,567,286
Westpac Banking Corporation	5,554,422

Distribution of Shareholders (as at 6 August 2015):

Range	Total holders
1 – 1,000	659
1,001 – 5,000	1,679
5,001 – 10,000	700
10,001 – 100,000	891
100,001 and over	77
Total	**4,006**

The total number of shareholders with less than a marketable parcel of 231 shares is 162.

Unquoted equity securities

Options issued under the Villa World Limited Option Plan to take up ordinary shares, as part of an employee incentive plan, as at 6 August 2015 is 4,150,000.

Classes of units and voting rights

As at 30 June 2015 there were 3,911 shareholders (30 June 2014: 3,127). The voting rights attaching to the shares, as set out in section 253C of the Corporations Act were:

(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 resolutions; 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 inside front cover – Shareholder Information.

ASX Additional Information (continued)

Top 20 Shareholders (as at 6 August 2015)

Name	Units	% of Units
NATIONAL NOMINEES LIMITED	19,512,525	17.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,065,912	11.84
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,908,056	7.17
UBS NOMINEES PTY LTD	6,017,719	5.45
BRAZIL FARMING PTY LTD	5,667,286	5.14
BNP PARIBAS NOMS PTY LTD <DRP>	3,165,712	2.87
CITICORP NOMINEES PTY LIMITED	2,310,252	2.09
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,352,490	1.23
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,122,914	1.02
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	830,091	0.75
CVC LIMITED <CVC LIMITED A/C>	681,412	0.62
DEBUSCEY PTY LTD	644,235	0.58
HORRIE PTY LTD	612,432	0.56
GEOMAR SUPERANNUATION PTY LTD <CHAPMAN SUPER FUND A/C>	607,198	0.55
ZERO NOMINEES PTY LTD	605,000	0.55
CRAIG G TREASURE PTY LTD <TREASURE SUPER FUND A/C>	582,432	0.53
MANDEL PTY LTD <MANDEL SUPER FUND A/C>	500,000	0.45
SHAYANA PTY LTD <HATELEY SUPER FUND ACCOUNT>	499,568	0.45
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	477,830	0.43
TRACIE'S FUTURE PTY LTD	464,568	0.42
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)	**66,627,632**	**60.38**

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