



Villa World Limited

ABN 38 117 546 326

ASX Code: VLW

29 May 2014

ASX Announcement

Full Year Guidance Confirmation

On 13 February 2014, Villa World Limited (Company) announced profit guidance for FY14 in the range of \$20million-\$22million net profit before tax. The Company confirms that guidance, and expects its final result (subject to audit) to be towards the higher end, and possibly in excess of that range, depending on the timing of settlements at Cascades on Clyde (VIC)¹ and stage 6 at Circa (QLD).

Dividend

The Board confirms its Dividend Policy to return to a full year payout ratio of 50% - 75% of NPAT. The Board anticipates a final dividend of 9 cents per share fully franked, subject to the Company's results for the full year. If declared, the final dividend will be payable in October 2014 and would bring dividends for the full year to 15 cents per share.

Carried Forward Tax Losses

The Company has \$47.6 million carried forward tax losses. Of these, \$25.6 million have been recognised at 31 December 2013. The balance of \$22.0 million carried forward tax losses (which represent a Deferred Tax Asset of \$6.6 million) will be recognised in due course through Board assessment and in accordance with accounting standards. The Company will not be paying cash tax until the whole of the \$47.6 million in carried forward tax losses is utilised.

It is the Board's intention to recognise a portion of the remaining \$22.0 million carried forward tax in 2H14, reducing the Company's effective tax rate in 2H14 and having a positive impact on FY14 NPAT.

At 30 April 2014, the Company had a franking account balance of \$16.7 million.

Full year results are expected to be reported to the ASX on or about 26 August 2014.

Sales

The Company recorded 726 sales in the ten months to April 2014 across 18 projects.

Cascades on Clyde (VIC) and Park Vista (QLD) continued to record the highest sales during the financial year to date. Other projects, with the exception of Little Creek, performed well, whilst five projects² sold out during that period.

¹ Revenue recognition requires an unconditional contract; registration of title for a lot; and, for house and land packages, a final inspection certificate for the dwelling. Generally, cash settlement is not required, except in NSW. A number of house and land contracts in Victoria also require cash settlement for accounting settlement to be recognised.

² Astonbrook (QLD), Brookside (QLD), Eynesbury (VIC), First Light (NSW), and Parkview (VIC). Eynesbury is not reflected in group revenue but rather Other Income - share of joint venture profit.

The Company's primary market is completed homes, with the result that sales tend to accelerate once a product is at, or close to, completion. Over the course of FY14, the Company has strengthened its delivery team, enabling it to accelerate production and marketing of existing projects and new acquisitions. The Company aims to return to more normal inventory levels of two to three months' supply at each of our projects. In the meantime, the Company is implementing strategies to capture off the plan sales.

Carry Forward Sales

At 30 April 2014, the Company is carrying forward 245 lots³ worth \$102.5 million⁴ which will settle in FY15/FY16. The majority of sales to be carried forward into FY15 are expected to accounting settle in 1H15. Sales occurring in the month of May and June will largely fall into FY15.

Acquisitions

Restocking remains a priority for the Company, with a total of 6 recent site acquisitions⁵ in Queensland⁶ and New South Wales⁷ adding 615 residential lots to the development pipeline.

Robust sales have encouraged Villa World to buy replacement projects for our in-demand estates at Circa (Nudgee, QLD), Park Vista (Mango Hill, QLD), Brookside (South Brisbane, QLD) and First Light (Tweed Coast, NSW). These new acquisitions will contribute to sales in 2H15, and profits in FY16 and beyond. The Company has also made a strategic acquisition in the north western growth corridor of Sydney (Schofields, NSW) which will contribute to profit in FY15. A further 560 lots, over 5 projects in North Melbourne (VIC), and in Brisbane's northern and Bayside suburbs are under due diligence investigations.

Outlook

There will be a focus in FY15 on delivering and settling carried forward sales, increasing the level of available stock by accelerating future stages of existing projects and bringing to market recently acquired projects. Restocking the pipeline for the medium term is also a priority for the Company. Further guidance for FY15, including carried forward sales as at 30 June 2014, will be provided with the release of the FY14 results.

Chairman

The Board is pleased to announce that Mr Mark Jewell, who became a director in November 2013, has accepted the role of Chairman effective 28 May 2014 in place of Mr Craig Treasure. This separates the role of Chairman and Managing Director, in line with ASX corporate governance recommendations. The Board is continuing its search for a fourth director, with skills that complement existing members.

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³ Contracts are included on the basis of 100% for Company projects and 50% of Joint Venture projects. At 30 April 2014, nil joint ventures lots will be carried into FY15.

⁴ Represents gross sales price including GST. Villa World recognises revenue on an ex-GST basis.

⁵ Unconditional contracts.

⁶ 59 lots in Nudgee (North Brisbane), 111 lots in Mango Hill (North Brisbane), 200 lots in Rochedale (South Brisbane) and 108 lots in Coomera (Brisbane/Gold Coast corridor).

⁷ 55 lots in Schofields (North West Sydney) and 82 lots in Casuarina (Tweed Coast)