



**Villa World Trust**  
and its controlled entities ARSN 104 482 206  
(Formerly known as GEO Property Trust)

# Annual Financial Report 30 June 2011



Mount Cotton Village, Brisbane



## SECURITYHOLDERS' INFORMATION

### **VILLA WORLD MANAGEMENT LIMITED as Responsible Entity for VILLA WORLD TRUST**

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### **Security Holder Information and Inquiries**

All inquiries and correspondence regarding security holdings should be directed to Villa World Group's share registry provider:

### **Computershare Investor Services Pty Limited**

Mailing Address: GPO Box 2975, Melbourne Victoria 3001

Telephone 1300 651 684 or +61 3 9415 4302 (outside Australia)

Fax: (07) 3237 2152 or +61 7 3237 2152 (outside Australia)

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

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

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## Chairman and Managing Director's Review

We are pleased to present the 2011 Annual Report for the Villa World Group, and to report on the continuing process of returning the Group to a position wherein its security price may ultimately reflect the intrinsic value of the group.

It has been a year of consolidation and further progress which we believe will ultimately bear fruit for security holders.

The major achievements during the year include:

- return of John Potter as Managing Director;
- development approval of a further 1,600 lots at Eynesbury Township (joint venture);
- renegotiation of banking facilities on improved terms;
- change of name back to Villa World;
- continued assessment and acquisition of development sites;
- 1 for 5 security consolidation; and
- commencement of security buy-back program.

It is pleasing that Villa World has delivered a positive earnings result this year, in what continues to be a challenging market. However, it should be noted that the result was in effect underpinned by two large individual transactions.

The Group continues to focus on its core business of land and house and land products in Melbourne and south-east Queensland.

### Financial review

The financial result for the year to 30 June 2011 was a net profit after tax of \$13.5 million, compared to a profit of \$18.2 million for 2010. Net tangible assets of the Group at the end of the year were \$152.1 million, representing \$1.78 per security, an improvement of 1.9% on the prior year.

The Group reported total revenues and other income of \$118.4 million. This delivered an operating profit (before tax, fair value adjustments, impairments / release of impairments and non-recurring items from discontinued operations) of \$9.6 million compared to \$21.1 million in the prior year.

The significant revenue decrease compared to the previous year is attributed to a number of factors including;

- accelerated sales in 2010 to clear inventory and reduce debt; and
- timing differences in relation to accounting and physical sales due to weather conditions and registration delays particularly at the Cascades project.

Timing differences for a number of projects will have an increased impact on sales in 2012, particularly for the Cascades project where all lots in the current stage are already under contract.

Villa World will commence the 2012 year with 358 lots under contract worth \$74.7 million.

### Corporatisation

A proposal to simplify Villa World's corporate structure will be put before security holders at the 2011 Annual General Meeting ("AGM"). The proposal is to de-staple and acquire the unit trust structure, so that Villa World becomes a simplified corporate structure with one class of equity.

This proposal will:

- improve the understanding of the Group and its operations; and
- reduce administration and compliance costs.

### Distributions

The operating cash flows allowed the Group to pay a distribution equivalent to 7.5 cents per security on 6 December 2010 and an interim distribution equivalent to 5 cents per security paid on 15 March 2011.

In the current economic climate, and particularly in a slow housing market, the Board has determined not to pay a final distribution for the 2011 year.

### Capital management

Our key capital management goal throughout the year was to continue to manage the Group's gearing at a sustainable level. The gearing ratio at 30 June 2011 was 23.5% (compared to 27.3% in 2010).

The primary debt facility has a facility limit of \$110 million and expires on the 1 September 2012. The drawn balance of this facility has been reduced from \$83 million as at 30 June 2010 (fully drawn with \$29 million cash on hand) to \$51 million as at 30 June 2011.

Subsequent to the end of the financial year the Group commenced an on-market securities buy-back program, with the objective of acquiring securities at a price that is value accretive for remaining security holders.

In the current environment, and with the share market valuing the securities at less than 50% of their underlying net asset value, the Board is of the opinion that undertaking a buy-back at this time represents the most appropriate use of capital.



## Chairman and Managing Director's Review continued.

### Development activities

12 projects contributed to the 2011 result, with exchanged contracts of 497 compared with 923 in 2010, achieving an average gross margin of 26.8%.

Demand for Villa World's core product - affordable housing in outer suburban locations - performed reasonably well in the first half of the year. Markets softened significantly in the second half as consumer confidence was undermined by:

- a string of natural disasters in Queensland;
- increased cost of living pressures;
- interest rate uncertainty; and
- poor global economic sentiment.

However, in the current environment, affordable housing product continues to sell better than more expensive homes, with the demand for house and land product at prices under \$450,000, exceeding other more expensive market segments.

Following a decision of the Victorian Civil and Administrative Tribunal on 30 June 2011, the number of allotments at the Group's flagship joint venture "Eynesbury Township" will be increased from 2,900 to 4,500 subject to development conditions.

The Group has total net lots under control of 5,142 including proportional joint-venture ownership. This provides an attractive pipeline for future operations when markets return to more traditional levels.

### Investment property

The group continue to hold the one remaining investment asset being Caltex at Goondiwindi Queensland with a book value of \$7.4 million.

### Outlook

In general, house and land sales in Villa World's key markets are currently slower than has historically been experienced. Market sentiment continues to be conservative in most regions of operation with the exception of Gladstone.

Villa World is well positioned to take advantage of the Gladstone market, given the high level of activity in the resources sector with 559 lots to be developed.

As predicted the Queensland Home Buyers boost, which commenced on 1 August 2011, stalled sales activity. Activity levels have now improved since its commencement.

The Victorian market is expected to slow over the next 12 months with price growth expected to be moderate to flat. Demand has been impacted by a combination of factors including:

- declining population growth; and
- consistent price growth over recent years now affecting affordability.

Villa World Group currently has 347 exchanged contracts worth \$71.7 million (includes proportional share of joint ventures which are equity accounted) which are due to settle in the 2012 financial year.

The Board is of the opinion that interest rate stability and improved sentiment will be the keys to a sustained recovery in the property market. In the meantime in light of the housing and economic outlook we continue to assess the operations of the Group and will evaluate strategies to reduce costs and focus on projects which deliver the greatest return on equity.

### Other matters

The Board has seen a number of changes throughout the year, with the board reducing from 6 members to currently 4 members. Former managing director and longtime non-executive director, John Potter, was re-appointed as Managing Director in February 2011 and Alexander (Sandy) Beard has joined the Board as a non-executive director.

The executive team has been instrumental in ensuring the Group is in the position it is today and our thanks go to them and all of our staff for their exceptional and continued efforts.

We look forward to meeting the challenges of the coming year and look to continue the process of restoring value for security holders.

Finally, we wish to thank security holders for their support during this challenging year.

**Richard Anderson**  
Chairman

**John Potter**  
Managing Director



## Director's Report

The Directors of Villa World Management Limited ("the Responsible Entity"), the Responsible Entity of Villa World Trust ("the Trust") present their report together with the financial report of Villa World Limited for the year ended 30 June 2011.

Villa World Group ("the Group") comprises of Villa World Trust and its combined entities, which include Villa World Limited ("the Company") and its controlled entities.

### The Responsible entity

The Responsible Entity of the Trust is Villa World Management Limited. The ultimate parent company of Villa World Management Limited is Villa World Limited.

## Directors

### Richard Anderson

OAM, B.Com, FCA, FCPA  
Independent Chairman

#### Experience and expertise

Richard is a Chartered Accountant. He was formerly a partner of PricewaterhouseCoopers and was the firms' Managing Partner in Queensland and a member of the firm's National Committee. He is a past President of CPA Australia (Queensland Division).

Richard was appointed non-executive Chair of Data #3 Limited in 1997, non-executive director of Namoi Cotton Co-operative Limited in 2001 and a non-executive director of Lindsay Australia Limited in 2001. He is also President of the Guide Dogs for the Blind Association of Queensland. Richard has been a non-executive Director of Villa World Limited (including prior to it becoming part of the Villa World Group) since September 2002.

#### Special responsibilities

Chair of the Nomination and Remuneration Committee

Chair of the Audit and Risk Committee

Appointed November 2003

### John Potter

Managing Director

#### Experience and expertise

John has undertaken real estate activities, predominantly in Queensland, for over 35 years and has extensive experience in all aspects of real estate development and investment. John was the founder of Citie Centre Limited which merged with Villa World Limited in 2000. John was a non-executive director of Villa World Limited (including prior to it becoming part of Villa World Group) from November 2003 and prior to that was Villa World Limited's Chief Executive Officer and executive director for three years.

#### Special responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Appointed November 2006 and Managing Director in February 2011

### Troy Harry

B.Bus  
Non-Executive Director

#### Experience and expertise

Troy has been involved in stockbroking and investment management for 18 years, spending over 5 years at ABN AMRO Morgans in Brisbane, before establishing his own business, Trojan Investment Management in 2003. He has experience in financial analysis, modelling and structuring and in advising and managing investment companies. In 2005 Troy was appointed the Managing Director of Trojan Equity Limited, an investment company listed on the ASX.

#### Special responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Appointed February 2009



## Director's Report continued.

### Alexander (Sandy) Beard

B.Com, FCA  
Non-Executive Director

#### Experience and expertise

Sandy is the Managing Director of CVC Limited and an experienced financier of growth companies as well as having gained considerable industry experience through his investee board roles. CVC has been an active participant in the property sector, undertaking investments ranging from real estate development to passive financing positions. Sandy is a Chartered Accountant, holds a Bachelor of Commerce from the University of New South Wales, and is a Fellow of the Institute of Chartered Accountants and a Member of the Institute of Company Directors.

Sandy was appointed an executive director of CVC Limited in 2000, director of CVC Property Managers Limited as Responsible Entity for CVC Property Fund in 2005, non-executive Chair of Cellnet Limited in 2006, non-executive director of Mnet Group Limited in 2007, and non-executive director of Amadeus Energy Limited in 2009. Sandy was previously a non-executive director of Blue Energy Limited from 2007 to 2008, and a non-executive director of Cyclopharm Limited from April to July 2011.

#### Special responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Appointed April 2011

### Directors who left the Group during 2011.

#### Guy Farrands

Grad Dip Man. FAPI  
Chief Executive Officer, Executive Director

#### Experience and expertise

Guy was the Managing Director and Chief Executive Officer of the Group and has had 24 years' experience in direct and listed property markets. He was previously CEO and Head of Corporate Development for Valad Property Group and Division Director of the real estate division of Macquarie Bank's Investment Banking Group, where he gained extensive experience in developing new property investment products, mergers and acquisitions and equity capital raisings. Prior to this he was Associate Director and joint head of property for Heine Management Limited (since acquired by ING) where he was responsible for property acquisition, development and leasing programmes for three listed property trusts.

#### Special responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Appointed August 2006

Resigned April 2011

### Anthony Bawden

B. Com  
Independent Non-Executive Director

#### Experience and expertise

Tony has over 45 years' experience in property and the finance industry and over 20 years of involvement with this Group. He was appointed a director of Villa World Limited (prior to it becoming part of Villa World Group) on 29 January 1986 and served as director until October 2007 then re-joined the Board on 6 November 2008 until 31 December 2010.

#### Special responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Appointed November 2008

Resigned December 2010

### Robert Bosiljevac

LLB DipBldg  
Executive Director, Company Secretary

#### Experience and expertise

Robert joined the Group in 2007 and was the Group's General Counsel and Company Secretary. He commenced his legal career in 1991, focussing on property and commercial law, developing extensive knowledge and experience in contract law, commercial property transactions, commercial and retail leasing, cottage and project conveyancing, institutional lending and business sales and purchases. He was admitted as a solicitor of the Supreme Court of Queensland in 1997.

#### Special responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Appointed August 2008

Resigned August 2010

### Company Secretary

#### Louise Edwards

LLB MBA  
Company Secretary

#### Experience and expertise

Louise was appointed Company Secretary on 31 August 2010. Louise previously worked as a corporate lawyer and has over ten years' experience in corporate roles for listed financial services and investment companies in Australia and the UK. Louise holds a Bachelor of Laws (QUT), a Masters in Business Administration (AGSM) and was admitted as a solicitor of the Supreme Court of Queensland in 1998 and High Court of Australia in 1999.

Appointed August 2010



## Director's Report continued.

Director's Interests*	2011	2010
Richard Anderson	51,091	51,091
John Potter	6,054,737	6,054,737
Troy Harry	600,000	-
Alexander Beard <sup>4</sup>	-	-
Guy Farrands <sup>1</sup>	-	172,641
Anthony Bawden <sup>3</sup>	-	2,000,000
Robert Bosiljevac <sup>2</sup>	-	760

<sup>1</sup> Resigned 11 April 2011

<sup>2</sup> Resigned 31 August 2010

<sup>3</sup> Resigned 31 December 2010

<sup>4</sup> Appointed 11 April 2011. Alexander Beard is the Managing Director of CVC Limited, which own n 11,325,766 securities

\* Interests reflected on the basis of the 1 for 5 security consolidation.

### Directors meetings

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2011, including the number of meetings attended by each Director are:

	Board Meetings		Audit and Risk management		Remuneration and Nomination	
	Held	Attended	Held	Attended	Held	Attended
Richard Anderson	18	18	3	3	6	6
John Potter	18	15	3	-	6	6
Troy Harry	18	17	3	3	6	6
Alexander Beard <sup>4</sup>	4	3	-	-	2	2
Guy Farrands <sup>1</sup>	15	14	3	3	4	4
Anthony Bawden <sup>3</sup>	10	9	2	2	3	3
Robert Bosiljevac <sup>2</sup>	6	6	1	1	2	2

<sup>1</sup> Resigned 11 April 2011

<sup>2</sup> Resigned 31 August 2010

<sup>3</sup> Resigned 31 December 2010

<sup>4</sup> Appointed 11 April 2011

## Director's Report continued.

### Key Management Personnel

#### Scott Payten

Chief Operating Officer  
BEng, MDIA

#### Experience and expertise

Scott has gained extensive experience in all aspects of property development having been involved in the industry since 1994. He began his career as a consulting engineer and subsequently furthered his experience in construction and development management through various management positions with highly recognised property development companies in both private and public sectors. In 2005 Scott joined Villa World Limited where his vast experience in all aspects of the business formed the foundations for his current position as Chief Operating Officer. In this role Scott is responsible for the Group's property development acquisitions, joint ventures and business development and the Group's property development and construction functions in Queensland, New South Wales and Victoria.

#### Paulene Henderson

Chief Financial Officer  
B Bus Acc MBA CA

#### Experience and expertise

Paulene re-joined the Group in April 2010 as the Chief Financial Officer. Paulene has 24 years' experience within the accounting profession. This experience has been gained through working within the profession, most recently with Ernst and Young, as well as senior financial positions within RCI Pacific Pty Ltd and Wyndham Vacation Resorts South Pacific Ltd as Responsible Entity for the Worldmark South Pacific Club, both entities being subsidiaries of Wyndham Worldwide (a Fortune 500 company listed on the New York Stock exchange).

### Principal activities

During the year, the Group's principal continuing operations consisted of the development and sale of residential land only and house and land packages. As at 30 June 2011, the Group also continued to hold one investment property as available for sale, which is consistent with the Group's strategy to exit the investment property business.

### Review of operations and significant changes in the state of affairs

#### Key highlights for the year

It has been a year of consolidation and further progress which we believe will ultimately bear fruit for security holders.

The major achievements during the year include:

- return of John Potter as Managing Director;
- development approval of a further 1,600 lots at Eynesbury Township (joint venture);
- renegotiation of banking facilities on improved terms;
- change of name back to Villa World;
- continued assessment and acquisition of development sites;
- 1 for 5 security consolidation; and
- commencement of security buy-back program.

It is pleasing that Villa World has delivered a positive earnings result this year, in what continues to be a challenging market. However, it should be noted that the result was in effect underpinned by two large individual transactions.

All references to securities in this Annual report are based on the 1 for 5 security consolidation.

Key information on the operations, and financial position of the Group are included below:

- Statutory net profit after tax of \$13.5 million (30 June 2010: \$18.2 million), a decrease of 25.9% on prior year result.
- Total distributions paid during the year of 12.5 cps comprising a final distribution of 7.5 cps<sup>1</sup> for the financial year ended 30 June 2010, paid on 6 December 2010 and a further distribution of 5 cps<sup>1</sup> paid on 15 March 2011.
- On 30 November 2010 the Group successfully renegotiated its Multi Option Facility (MOF). The MOF limit is \$110 million and is drawn to \$51 million<sup>2</sup> as at 30 June 2011 (30 June 2010: \$83 million<sup>2</sup>).

<sup>1</sup> cps based on 1 for 5 security consolidation.

<sup>2</sup> Excludes bank guarantees.

## Director's Report continued.

- An operating profit (before tax, fair value adjustments, impairments / release of impairments and non-recurring items from discontinued operations) of \$9.1 million, (30 June 2010: \$21.1 million). The reconciliation of profit to statutory NPAT is shown on page 11.
- Accounting settlements (including our proportionate share of joint ventures) of 406 and/or house and land or integrated housing product. (30 June 2010: 863 products).
- Residential lots under control of 5,142, accounting for joint ventures in proportion to ownership (30 June 2010: 4,495).
- Settlement of two investment properties for a total consideration of \$24.1 million during the year ended 30 June 2011. Realised gains on the investment properties sold amounted to \$3.0 million .
- The Group has re-assessed the Eynesbury Development in light of the continued improved performance and reversed a previous impairment of \$5.3 million made against this project. This is not assessable for tax purposes.
- Net tangible assets of \$1.78<sup>1</sup> per security (30 June 2010: \$1.74).

### Future developments and results

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

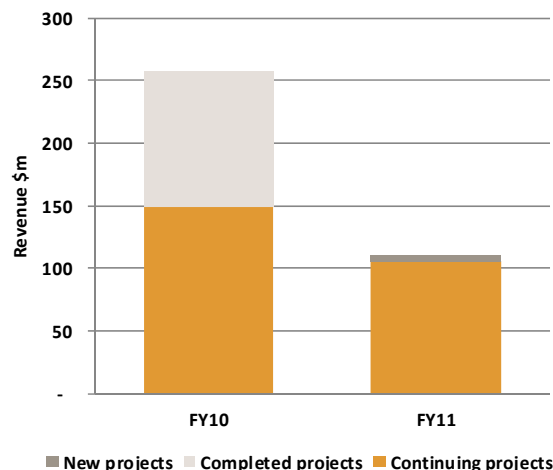
### Consolidated results

The consolidated result for the year ended 30 June 2011 was a net profit after tax of \$13.5 million, representing 15.8 cps (30 June 2010: \$18.2 million, 21.4 cps).

The Group reported total revenues and other income of \$118.4 million. This delivered an operating profit (before tax, fair value adjustments, impairments / release of impairments and non-recurring items from discontinued operations) of \$9.1 million compared to \$21.1 million in the prior year.

The significant revenue decrease compared to the previous year is attributed to a number of factors including:

- accelerated sales in 2010 to clear inventory and reduce debt; and
- timing differences in relation to accounting and physical sales due to poor weather conditions which then delayed final planning approval, particularly at the Cascades project.



Timing differences for a number of projects will have an increased impact on sales in 2012, particularly for the Cascades project where all lots in the current stage are already under contract.

Villa World will commence the 2012 year with 358 lots under contract worth \$74.7 million<sup>2</sup>.

12 projects contributed to the 2011 result, with exchanged contracts of 497 compared with 923 in 2010, achieving an average gross margin of 26.8%.

As at 30 June 2011, the value of the consolidated entity's assets was \$246 million (30 June 2010: \$301 million). The basis of measurement of the consolidated entity's assets is disclosed in the consolidated balance sheet and the associated notes to the financial statements. The net tangible asset of the Group is \$1.78 cps as at 30 June 2011 (30 June 2010: \$1.74 cps).

<sup>1</sup> cps based on 1 for 5 security consolidation.

<sup>2</sup> Includes proportional share of joint ventures.

## Director's Report continued.

The reconciliation of operating profit to statutory net profit is shown below:

	Consolidated Entity	
	2011	2010
Notes	\$'000	\$'000
<b>Net profit after tax</b>	<b>13,485</b>	<b>18,243</b>
<b>Profit for the year includes the following items that are unusual because of their nature, size or incidence:</b>		
Net (gain)/loss on sale of investment properties	11a (3,024)	(638)
Net (gain)/loss in fair value of investment properties	11d 1,648	3,310
Impairment of development land	-	517
Impairment of related party loans	-	1,364
Net loss on fair value of financial assets	-	700
Hedge ineffectiveness on interest rate swaps	105	440
Net gain on business combination	-	(3,252)
Transaction costs associated with the business combination	-	558
Other one off discontinued operation expenses	-	3,686
Impairment of receivables (non recurring) discontinued operations	-	356
Reversal of impairment of receivables	(5,654)	-
<b>Sub total</b>	<b>(6,925)</b>	<b>7,041</b>
Income tax expense	2,557	(4,158)
<b>Sub total</b>	<b>(4,368)</b>	<b>2,883</b>
<b>Net operating profit/(loss) before tax, fair value write-downs and impairments and non recurring one off discontinued operation expenses</b>	<b>9,117</b>	<b>21,126</b>

## Director's Report continued.

### The Group

The operating performance of the Group has been in line with expectations and underpins the Board's view that affordable housing in outer suburban locations remains one of the soundest segments of the current market.

### Capital management

Our key capital management goal throughout the year was to continue to manage the Group's gearing at a sustainable level. The gearing ratio at 30 June 2011 was 23.5% (compared to 27.3% in 2010).

The primary debt facility has a facility limit of \$110 million and expires on the 1 September 2012. The balance of this facility has been reduced from \$83 million as at 30 June 2010 (fully drawn with \$29 million cash on hand) to \$51 million as at 30 June 2011.

Subsequent to the end of the financial year the Group commenced an on-market securities buy-back program, with the objective of acquiring securities at a price that is value accretive for remaining security holders.

In the current environment, and with the share market valuing the securities at less than 50% of their underlying net asset value, the Board is of the opinion that undertaking a buy-back at this time represents the most appropriate use of capital.

### Corporatisation

A proposal to simplify Villa World's corporate structure will be put before security holders at the 2011 Annual General Meeting ("AGM"). The proposal is to de-staple and acquire the unit trust structure, so that Villa World becomes a simplified corporate structure with one class of equity.

This proposal will:

- improve the understanding of the Group and its operations; and
- reduce administration and compliance costs.

### The Trust

#### Units on issue

The following table summarises the movements in units in the Trust during the year to 30 June 2011:

	Number of Units	\$
Existing units as at 1 July 2010	426,862,630	392,035,824
Movement	-	-
<b>Units on issue as at 30 June 2011</b>	<b>426,862,630</b>	<b>392,035,824</b>
July 2011		
1 for 5 security consolidation	85,372,526	392,035,824

#### Distributions

The operating cash flows have allowed the Group to pay a distribution equivalent to 7.5 cents per security on 6 December 2010 and an interim distribution equivalent to 5 cents per security paid on 15 March 2011.

In the current economic climate, and particularly in a slow housing market, the Board has determined not to pay a final distribution for the 2011 year.

#### Dividends (for the Company)

There have been no dividends declared or paid during the period by the Company (30 June 2010: 5 cps paid in March 2010).

In the current economic climate, and particularly in a slow housing market, the Board has determined not to pay a final dividend for the 2011 year.

#### Events subsequent to balance date

##### *Security Consolidation*

At the General Meeting (GM) held on 30 June 2011, members approved a consolidation of security capital on a 1 for 5 basis. The consolidation was effected on 11 July 2011 with securities trading on a post-consolidation basis on the Australian Stock Exchange (ASX) from 18 July 2011 under the issuer code VLW.

##### *Employee Options*

At the same GM, members approved a resolution to issue a total of 14 million employee options (2.8 million on a post-consolidation basis) to the Managing Director. The Board also confirmed their intention to issue a further 400,000 employee options (on a post-consolidation basis) to a group executive.

The financial effects of the option issue have not been brought to account as at 30 June 2011. It is anticipated that the options will be granted in November 2011.

## Director's Report continued.

### Remuneration report

Due to its corporate structure, the Group is not required to publish a remuneration report under the Corporations Act 2001. Refer to note 29 for remuneration disclosures.

### Environmental regulations

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

#### (i) Land development approvals

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

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

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

### Additional benefits

The Group has paid insurance premiums in respect of Directors and Officers' liability insurance contracts for Directors, executive directors, the company secretary and officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been directors and officers of the Group.

Premiums are also paid for professional indemnity insurance policies to cover certain risks for a broad range of employees, including directors and executives.

### Indemnification and insurance of officers and auditors

#### Indemnification

Under the Trust's constitution the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in performing or exercising any of its powers, duties or rights in relation to the Trust. The Trust has not indemnified any auditor of the Trust.

### Insurance Premiums

During the financial year, the Group paid premiums to insure the directors and secretary of the company and its controlled entities against certain liabilities (subject to certain exclusions and to the extent permitted by law) that may arise from their position except where that liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. 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

liability insurance contract as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contracts.

### Non-audit services

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

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

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

Details of the amounts paid to the auditors of the Group, PricewaterhouseCoopers, for audit and non-audit services provided during the year are set out in note 10 of the financial statements.

## Director's Report continued.

### **Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' report for the period ended 30 June 2011.

This statement is made in accordance with a resolution of the Directors of the Responsible Entity, Villa World Management Limited.

### **Rounding of amounts**

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



**John Potter**  
**Managing Director**  
Bundall

24 August 2011



### Auditor's Independence Declaration

As lead auditor for the audit of Villa World Group for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit. This declaration is in respect of Villa World Group, which includes Villa World Limited and the entities they controlled during the period.

A handwritten signature in blue ink, appearing to read 'Timothy J Allman', is written over a light blue horizontal line.

Timothy J Allman  
Partner  
PricewaterhouseCoopers

Brisbane  
24 August 2011



## Corporate Governance Statement

The Board recognise the importance of good corporate governance and is committed to complying with the highest standards in corporate governance. The Board believes that genuine commitment to good corporate governance is essential to the performance and sustainability of the Group's business and, as such, depends upon the corporate culture – values and behaviours – that underlies the Group's day-to-day activities.

Set out below is a summary of the ASX Corporate Governance Council's eight principles of corporate governance (ASX Governance Principles) and how the Board has applied each principle and the underlying recommendations.

### 1. Laying solid foundations for management and oversight

#### 1.1 Role of the Board

To ensure the management and control of the Group is aligned, the Board of Directors of the Responsible Entity and the company have common Boards of Directors (the Board).

The Board acknowledges its accountability to security holders for creating security holder value within a framework that protects the rights and interests of security holders and ensures that the company and its subsidiaries (the Group) are being properly managed.

The role and responsibilities of the Board are formalised in the Board Charter which is available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

There is a clear division between the responsibility of the Board and management. The Board has delegated responsibility for operations and administration to the Managing Director.

In summary, the Board's responsibilities include:

- reviewing, approving and monitoring the Group's corporate strategies, budgets and annual business plans;
- ensuring that effective audit, risk management and regulatory compliance programmes are implemented to protect both the Group's assets and security holder value;
- planning for board and executive succession;
- considering management's recommendations on major investments, acquisitions and divestures;
- monitoring the financial position, business results and financial reporting;
- determining the remuneration and terms of appointment of the external auditor and evaluating their performance and ongoing independence;

- reviewing the performance and composition of the Board and Board committees; and
- ensuring that the market and security holders are continuously informed of material information.

#### 1.2 Delegation of Board authority

The day to day activities of the Group are formally delegated by the Board to the Managing Director. The Managing Director is responsible for implementing Group strategies and policies.

The Board has established delegated authority limits within which the Managing Director and executives must operate.

#### 1.3 Board Committees

The Board has established the following specialist committees:

- Investment Approval Committee;
- Audit and Risk Committee; and
- Nomination and Remuneration Committee.

Membership of these committees is currently comprised of all of the Directors.

All of the committees have established charters which govern their roles, responsibilities and duties which are available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

The details of each Director's attendance at the board and committee meetings are detailed in the Director's Report on page 8.

In addition, throughout the year, the Responsible Entity had a permanent Compliance Committee with external members to execute the responsibilities regarding the compliance duties associated with the Trust. Given the scale and nature of the Trust's activities has reduced significantly in recent years, the Board determined that from July 2011, it will fulfil the overall responsibilities previously carried out by the Compliance Committee.

#### 1.4 Performance and evaluation of executives

Oversight of senior executives is provided by the Nomination and Remuneration Committee, where a formal performance evaluation is conducted on an annual basis. The annual review will include identification of performance goals for the year ahead. The framework for executive remuneration is set out on page 13 of the Director's Report.

These performance evaluations of relevant executives were undertaken during the reporting period.

*The Board considers that the Group complies with Principal 1 and its recommendations.*



## Corporate Governance Statement continued.

### 2. Structuring the Board to add value

#### 2.1 Composition of the Board

As at the date of this Statement, the Board is comprised of an Independent Chairman (Richard Anderson), and three other directors.

Director	Role	Independent	Appointed
Richard Anderson	Chairman	Yes	23 Nov 2006
John Potter	Managing Director	No	23 Nov 2006
Troy Harry	Non-executive Director	Yes	23 Feb 2009
Alexander Beard	Non-executive Director	No	11 Apr 2011

The names, together with details of the skills, experience and expertise of each director who held office during the financial year are detailed in the Directors Report.

The composition of the Board is reviewed on an annual basis by the Nomination and Remuneration Committee to ensure that it has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new member with particular skills, the Nomination and Remuneration Committee selects a panel of candidates with the appropriate expertise and skill.

The composition of the Board is determined using the following principles:

- a minimum of three directors, with an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities;
- sufficient directors to serve on board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- the Board should have a proper understanding of, and competence to deal with, current and emerging issues of the Group and can effectively review and challenge the performance of management and exercise independent judgment.

The constitutions of the Company and Responsible Entity provide that each director, other than the Managing Director, must seek re-election by security holders at least every three years if they wish to remain a director. Any new director, other than the Managing Director appointed by the Board during the year must seek election by security holders at the next annual meeting of the Company.

The Board currently determines a schedule of meetings at the beginning of each year. Additional meetings are held as required to address specific issues.

The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary. Standing items include the Managing Director's report, financial reports and governance and compliance. Submissions are circulated in advance. The Chief Financial Officer and Chief Operating Officer regularly attend and contribute to Board discussions.

#### 2.2 Director independence

The Board recognises that independent directors are important in assuring security holders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance.

The Board has adopted the following criteria for determining whether a director is independent, namely, if the director:

- is not a substantial security holder of the Group holding more than 10% of the relevant entity's voting securities, or an officer or otherwise associated directly with a security holder holding more than 10% of the relevant entity's voting securities;
- within the last three years has not been employed in an executive capacity by the Group or any subsidiary of the Group or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material consultant to the Group or any subsidiary of the Group, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Group or any subsidiary of the Group, or an officer or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Group or any subsidiary of the Group other than as a Director of the Responsible Entity;
- has not been a board member for a period, which could, or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Group; and
- is free from any interest and any business or any other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.



## Corporate Governance Statement continued.

The test of whether a relationship or transaction is "material" will be based on the nature and circumstances of the transaction being reviewed with regard to the guidelines outlined above. As a guideline, where the Director has an affiliation with a business which transacts with the Group in the ordinary course of business on an arms - length basis and which generates less than 5% of the Director's related business revenue, the transaction will be considered to be immaterial and will be considered material when it generates more than 10% of the consolidated gross revenue in a 12 month period in the absence of evidence or convincing argument to the contrary. Any director who considers they may have a conflict of interest or material personal interest in any matter concerning the Group is required to give the Board immediate notice of such interest.

The Board prefers to have a majority of independent "non-executive directors". There were a number of changes to the Group's Board during the financial period, and as at the date of this Statement, the Board is comprised of two independent directors (including an independent Chair), one non-executive director, and one executive director.

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

### 2.3 Terms of appointment

All directors receive, and are required to sign, a formal letter of appointment setting out the responsibilities, rights and key terms and conditions of their employment.

### 2.4 Company Secretary

The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that the Board procedures are complied with and that corporate governance matters are addressed. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

*The Board believes the Company complies with Principal 2 and its recommendations.*

## 3. Promotion of ethical and responsible decision making

The Company has approved and published various corporate policies including a Code of Conduct and Securities Dealing Policy which apply to the Company's officers, employees and those working on the Company's behalf. These policies are reviewed regularly and are available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

### 3.1 Code of Conduct

The Board has adopted Codes of Conduct which apply to Company officers and employees and form part of the employment contracts. The Codes set out parameters for ethical behaviour and business practices which are expected when engaging in corporate activity, including:

- responsibilities to security holders, clients and other relevant stakeholders are fulfilled by maintaining high standards of service and commitment to fair value;
- responsibilities to the individual, such as privacy, use of privileged or confidential information and conflict resolution;
- disclosure of conflicts of interest;
- prevention of directors and key executives taking advantage of property, information or position for personal gain; and
- reporting on unethical behaviour.

The Code of Conduct is reviewed regularly and updated where necessary to ensure it reflects the highest standards of behaviour and professionalism, and the practices necessary to maintain confidence in the Company's integrity. Copies of the Codes of Conduct are available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

### 3.2 Trading in company securities

Directors and personnel are allowed to acquire securities in the Group provided they comply with the provisions of the Securities Dealing Policy.

The policy details the insider trading provisions contained in the *Corporations Act* to be considered at any time a director or employee is considering trading in securities of the Group.

Directors and employees are only permitted to trade in securities of the Group during specified trading "windows", which are generally for four weeks following the release of the half year and annual results. This policy reflects the perception that outside these periods, directors and employees may be in possession of significant financial or other corporate information which has not yet been disclosed to the market.

A related party register is maintained which records all holdings of securities in the Group by Directors and employees.

The Securities Dealing Policy is available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

### 3.3 Diversity

The Group recognises the value of having a diverse workplace, with diversity across gender, age and culture, which is reinforced in the employment policies adopted by the Group.



## Corporate Governance Statement continued.

For the purposes of the ASX's updated recommendations released in 2011, the Group is reviewing the existing employment policies to reflect these changes.

*The Board believes the Group has complied with Principle 3 and its recommendations.*

### 4. Safe guarding integrity and financial reporting

The Group is committed to providing security holders with clear, transparent and high-quality financial information in a timely manner. The Group's Continuous Disclosure Policy underpins this approach.

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

The Group's Audit and Risk Committee is comprised of all of the directors of the Company. The Committee is chaired by Richard Anderson who is an independent director and chair of the Board.

The Audit and Risk Committee has responsibility for:

- the appropriateness and effectiveness of the Group's accounting policies;
- the integrity of the Group's financial reports and related communications to stakeholders;
- the management of internal, external and compliance audits including monitoring the implementation of improvements to identified control deficiencies;
- reviewing business risk management and internal control systems, including business policies and practices, delegations of authority, business continuity and disaster recovery plans, the use of derivatives, and the adequacy of the corporate insurance programme; and
- monitoring corporate conduct and business ethics, including auditor independence, related party transactions and performance and ongoing compliance with laws and regulations.

The Audit and Risk Committee has a formal charter which is available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

In accordance with the *Corporations Act*, the lead and review audit partner is required to rotate at least every five years.

The Committee meets with the external auditor in the absence of management to discuss potential issues associated with management controls, the preparation and audit of the financial reports and the performance of management in relation to such issues.

*The Board believes the Group has complied with Principle 4 and its recommendations.*

### 5. Timely and balanced disclosure

The Group has a written Continuous Disclosure Policy and other procedures designed to ensure compliance with ASX Listing Rules and *Corporations Act* disclosure requirements, and to ensure accountability for compliance. The policy focuses on ensuring the market is kept advised of all information which it is believed may have a material effect on the price or value of the Group's securities, notifying the ASX, and posting announcements and media releases on the Group's website.

The Managing Director of the Group is responsible for ensuring all pertinent matters are communicated to the Company Secretary to facilitate communications with the ASX.

The Continuous Disclosure Policy and Security holder Communications Policy are available in the Corporate Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

*The Board believes the Group has complied with Principal 5 and its recommendations.*

### 6. Respecting the rights of security holders

The Group is committed to keeping security holders fully informed of significant developments and activities of the Group.

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

The Board encourages full participation of security holders at the AGM, to ensure a high level of accountability and to enable security holders to meet with the Board and ask questions.

The external auditor also attends the AGM to be available to answer security holder questions about the content of the auditor's report, the Group's accounting policies and auditor independence.

*The Board believes the Group has complied with Principle 6 and its recommendations.*

### 7. Recognising and balancing risk

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging its responsibilities, the Board has instigated an internal control framework that can be described under the following headings:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Board. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.



## Corporate Governance Statement continued.

A comprehensive certification system has been implemented which requires certifications at various levels of the Group prior to submitting the financial reports to the Audit and Risk Committee for review.

The Managing Director and Chief Financial Officer have declared in writing to the Board that the financial records of the Group for the financial period have been properly maintained and that the Group's financial reports for the period ended 30 June 2011 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results. This statement is required annually.

- *Investment appraisal* - the Chief Financial Officer and Chief Operating Officer meet with development and project managers on a monthly basis to review key budget and forecast assumptions including sales rates, construction progress, costs to complete, assessment of future development and feasibilities, and monitor these assumptions against cash flow forecasts and debt management.
- *Debt facility compliance* - the Group has established a Debt Compliance Committee to monitor ongoing compliance with key terms of the Group's finance facilities. The Committee is chaired by a Group executive, and membership comprises key divisional managers including the Chief Financial Officer, Chief Operating Officer, legal and compliance managers and other key business managers. The Committee meets on a bi-monthly basis.
- *Quality control* - quality control of the Group's activities is monitored by an internal committee comprising the Quality Manager, Chief Operating Officer and a legal officer. The Committee reports monthly to the Board against key performance criteria.
- *Quality and integrity of personnel* - policies and procedures are detailed in manuals. Written confirmation of compliance with policies is obtained from all staff members. Formal appraisals are conducted annually for all employees.
- *Functional speciality reporting* - a number of key areas have been identified which are subject to regular reporting to the Board, such as Treasury, Governance, Legal and Compliance.
- *Compliance Plan* - the Responsible Entity has appointed an external compliance officer who is responsible for performing periodic reviews of compliance with the requirements of the Compliance Plan.

*The Board considers that the Group complies with Principle 7 and its recommendations.*

### **8. Remunerating fairly and responsibly**

The Nomination and Remuneration Committee is comprised of all of the directors of the Company, and is chaired by the Board's independent Chair. The committee's charter is available in the Corporate

Governance section of the Group's website ([www.villaworld.com.au](http://www.villaworld.com.au)).

The Nomination and Remuneration Committee is responsible for:

- ensuring that the Board, management and the Committee are provided with sufficient information to ensure informed decision making. The Committee will access external advice from consultants and specialists where required to ensure the Group's remuneration policy aligns employees' interests with the creation of long term value for security holders;
- executive remuneration and incentive policies, including reviewing and approving the terms of security and option plans and other incentive schemes;
- remuneration framework for Directors;
- review human resources planning with emphasis on succession planning for senior group executive positions; and
- ensuring that reporting disclosures related to remuneration comply with the *Corporations Act* and ASX Listing Rules.

Full details of directors and executive remuneration are set out in the Remuneration Report which commences on page 61.

There are no retirement benefit plans available to non-executive directors of the Group. The Group does make contributions to approved superannuation funds on behalf of each non-executive director in accordance with the superannuation guarantee legislation.

Senior executives are not permitted under the terms of the options to enter into transactions involving unvested entitlements to the Group's securities.

*The Board considers that the Group complies with Principle 8 and its recommendations.*

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# Group consolidated income statement

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Development and construction revenue		110,835	257,806
Interest revenue		1,120	695
<b>Revenue from continuing operations</b>	<b>7</b>	<b>111,955</b>	<b>258,501</b>
Net loss on fair value of financial assets		-	(1,089)
Hedge ineffectiveness on interest rate swaps		(105)	(440)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		1,933	(309)
Net gain on business combination		-	3,252
Other income		4,666	2,821
<b>Total revenues and other income</b>		<b>118,449</b>	<b>262,736</b>
Cost of development property sold		81,697	204,350
Property sales and marketing expenses		7,271	10,270
Employee benefits expense		8,191	9,598
Depreciation and amortisation expense	9	314	898
Finance costs	8	9,426	14,092
Impairment of development land		-	517
Impairment of receivables		-	596
Reversal of impairment of receivables		(5,654)	-
Other operating expenses	9	4,931	5,613
<b>Profit/(loss) before income tax</b>		<b>12,273</b>	<b>16,802</b>
Income tax expense	12	(2,557)	4,158
<b>Profit/(loss) from continuing operations</b>		<b>9,716</b>	<b>20,960</b>
Profit/(loss) from discontinued operations after income tax	11	3,769	(2,717)
<b>Profit for the year</b>		<b>13,485</b>	<b>18,243</b>

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Profit/(loss) is attributable to:</b>			
Equity holders of the Trust		2,529	(3,373)
Equity holders of the Company		10,956	21,616
		<b>13,485</b>	<b>18,243</b>

	Notes	2011	2010
		Cents	Cents
<b>Earnings/(loss) per stapled security:</b>			
Basic earnings per stapled security from continuing operations attributable to stapled security holders	6	11.4	24.6
Basic earnings per security attributable to stapled security holders	6	15.8	21.4
Diluted earnings per security from continuing operations attributable to stapled security holders	6	11.4	24.6
Diluted earnings per security attributable to stapled security holders	6	15.8	21.4

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

## Group statement of comprehensive income

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Profit/(loss) for the year</b>		13,485	18,243
<b>Other comprehensive income</b>			
Share based payment expense	37	-	17
Change in the fair value of cash flow hedges	25	82	(27)
<b>Other comprehensive income for the year, net of tax</b>		82	(10)
<b>Total comprehensive income for the year</b>		<b>13,567</b>	<b>18,233</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of Villa World Group		13,567	18,233

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

# Group consolidated balance sheet

As at 30 June 2011

	Notes	Consolidated		
		2011 \$'000	2010 \$'000	01 Jul 2009' \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	13	5,864	28,847	3,013
Trade and other receivables	14	15,071	46,194	30,542
Inventories	15	72,969	54,172	110,457
Assets of disposal group classified as held for sale	11b	7,861	31,226	72,461
Other current assets	16	2,110	3,684	667
<b>Total current assets</b>		<b>103,875</b>	<b>164,123</b>	<b>217,140</b>
<b>Non current assets</b>				
Receivables	14	20,408	14,946	12,824
Inventories	15	101,204	100,383	97,441
Property, plant and equipment	17	796	701	6,643
Investments accounted for using the equity method	18	9,015	7,082	5,874
Deferred tax assets	20	10,937	13,529	5,975
Other non current assets	16	251	123	-
<b>Total non current assets</b>		<b>142,611</b>	<b>136,764</b>	<b>128,757</b>
<b>Total assets</b>		<b>246,486</b>	<b>300,887</b>	<b>345,897</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	21	21,563	35,733	32,729
Borrowings	22	6,000	89,500	1,675
Liabilities directly associated with assets of a disposal group classified as held for sale	11c	-	3,337	3,194
Related party loans	32	571	4,808	3,464
Provisions	23	4,700	2,849	-
<b>Total current liabilities</b>		<b>32,834</b>	<b>136,227</b>	<b>41,062</b>
<b>Non current liabilities</b>				
Payables	21	5,356	2,134	17,688
Borrowings	22	56,404	13,561	144,000
Related party loans	32	-	-	8,141
Provisions	23	152	127	132
<b>Total non current liabilities</b>		<b>61,912</b>	<b>15,822</b>	<b>169,961</b>
<b>Total liabilities</b>		<b>94,746</b>	<b>152,049</b>	<b>211,023</b>
<b>Net assets</b>		<b>151,740</b>	<b>148,838</b>	<b>134,874</b>

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

1. See note 2 for details regarding the restatement.

## Group consolidated balance sheet continued.

As at 30 June 2011

	Notes	Consolidated		
		2011 \$'000	2010 \$'000	01 Jul 2009' \$'000
<b>EQUITY</b>				
<b>Capital and reserves attributable to stapled securityholders as:-</b>				
<b>Trust</b>				
Contributed equity	24	387,936	387,936	387,881
Retained losses	25	(134,486)	(126,350)	(122,977)
Reserves		-	-	38
<b>Total equity attributable to unitholders</b>		<b>253,450</b>	<b>261,586</b>	<b>264,942</b>
<b>Company</b>				
Contributed equity	24	4,100	4,100	4,100
Retained profits / (Accumulated losses)	25	(105,865)	(116,821)	(134,168)
Reserves	25	55	(27)	-
<b>Total equity attributable to shareholders (NCI)</b>		<b>(101,710)</b>	<b>(112,748)</b>	<b>(130,068)</b>
<b>Total equity</b>		<b>151,740</b>	<b>148,838</b>	<b>134,874</b>

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

1. See note 2 for details regarding the restatement.

## Group statement of changes in equity

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>148,838</b>	<b>134,874</b>
Net income recognised directly in equity			
Share based payment expense	37	-	17
Change in the fair value of cash flow hedges prior to transfer to income statement	25	82	(27)
		82	(10)
<b>Net profit/(loss) for the year</b>		<b>13,485</b>	<b>18,243</b>
<b>Total recognised income and expenses for the year</b>		<b>13,567</b>	<b>18,233</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>			
Distributions paid or payable	25	(10,665)	-
Dividends paid or payable		-	(4,269)
Transactions with equity holders in their capacity as equity holders:		(10,665)	(4,269)
<b>Total equity at the end of the financial year</b>		<b>151,740</b>	<b>148,838</b>

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

# Group cash flow statement

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		151,488	265,455
Payments to suppliers and employees (inclusive of goods and services tax)		(114,720)	(158,981)
Payments for land acquired		(19,000)	(21,700)
Interest received		1,120	644
Interest paid		(8,177)	(7,002)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>36</b>	<b>10,711</b>	<b>78,416</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of controlled entity, net of cash acquired		-	109
Proceeds from sale of investment properties		23,337	37,556
Capital expenditure on investment properties classified as a disposal			
Group held for sale		30	(2,074)
Purchase of property plant & equipment		(428)	(185)
Proceeds from sale of property, plant and equipment		5	202
Loans to related parties		(192)	(16,104)
Repayment of loans by related parties		174	4,050
<b>Net cash inflow / (outflow) from investing activities</b>		<b>22,926</b>	<b>23,554</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		66,000	56,000
Repayment of borrowings		(106,657)	(118,136)
Repayment of borrowings from related party		(4,237)	(3,333)
Payments in respect of ineffective hedge		(1,061)	(4,723)
Distributions paid		(10,665)	(4,269)
<b>Net cash outflow from financing activities</b>		<b>(56,620)</b>	<b>(74,461)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
		(22,983)	27,509
Cash and cash equivalents at the beginning of the financial year		28,847	1,338
<b>Cash and cash equivalents at the end of the year</b>		<b>5,864</b>	<b>28,847</b>
<b>Reconciliation to cash at the end of the year:</b>			
Cash and cash equivalents	13	5,864	28,847
<b>Cash and cash equivalents at the end of the year</b>		<b>5,864</b>	<b>28,847</b>

The above group cash flow statement should be read in conjunction with the accompanying notes.

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## 1 Statement of significant accounting policies

### (a) Reporting entity

Villa World Group (formerly known as GEO Property Group) was formed in April 2006 by the stapling of the securities of Villa World Trust ("the Trust"), and Villa World Limited ("the Company"). Villa World Group is defined as "the Stapled Entity" or "the Group".

The Stapled Entity was established for the purpose of facilitating a joint quotation of the Trust and its controlled entities and the Company and its controlled entities on the Australian Stock Exchange. The constitutions of both the Trust and the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of securities in the Company shall be equal, and that unit holders and security holders be identical.

The units of the Trust and the securities of Company are combined and issued as stapled securities in the Group. The units of the Trust and securities of Company cannot be traded separately and can only be traded as stapled securities.

AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated financial report. In accordance with this requirement, the Head Trust has been identified as the parent within the Group, and is therefore disclosed in these financial statements as the parent within the Group.

The Board of Directors of the Responsible Entity and the Board of Directors of the Company, must at all times act in the best interest of the Stapled Entity.

Villa World Trust is a trust incorporated and domiciled in Australia. The consolidated financial report of the Trust comprises the Trust and the Company, and their subsidiaries they controlled during the year ended as at 30 June 2011. Transactions between the entities have been eliminated in the consolidated financial report of the Group.

The financial statements were approved by the Board of Directors on 24 August 2011. The Directors have the power to amend and reissue the financial report.

### (b) Basis of preparation

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 years presented, unless otherwise stated.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

#### (i) Compliance with IFRS

The consolidated financial statements of Villa World Group and the separate financial statements of Villa World Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are disclosed in note 3.

#### (iii) Historical cost convention

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

### Parent entity financial information

The financial information for the parent entity, Villa World Trust, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below:

#### (i) Controlled entities

Investments in controlled entities are carried in the Trust and Company financial statements at the lower of cost and recoverable amount.

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

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Villa World Trust. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The Trust is party to the external loans of the Group. The funds are on-lent to the Company on terms with the Trust's financing facilities.

#### (iii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### (c) Principles of consolidation

As the Trust is deemed to be the parent entity under Australian Accounting Standards, a consolidated financial report has been prepared for the Group as well as an individual financial report for the Company. The consolidated financial report combines the financial report for the Trust and Company for the year.

#### Subsidiaries

Subsidiaries are those entities controlled by the Trust or Company. Control exists when the Trust or Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

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

## Statement of significant accounting policies continued.

### *Joint venture entities*

The interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the joint venture entity is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the joint venture are set out in note 34.

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

### **(d) Segment reporting**

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

Disclosures concerning the Group's operating and reportable segments, as well as the key financial information provided to the CODM are set out in note 4.

### **(e) Revenue recognition**

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

#### *Rental income*

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

#### *Land development and resale*

Revenue and costs of sales are brought to account when the significant risks and rewards of ownership and effective control over the goods have passed to the buyer.

The significant risks and rewards are considered to be transferred to the buyer when the Group retains neither continuing managerial involvement to the degree usually associated with ownership or control. This is considered to be when the contract becomes unconditional or on settlement depending on the terms of the contract, and when it is probable that the economic benefits associated with the transaction will flow to the Group.

#### *Construction contracting*

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the appropriate mark-up percentage.

### *Interest income*

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

Interest income is recognised on a gross basis, including withholding tax, if any.

### *Sale of non-current assets*

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

### *Dividends and distributions*

Dividend revenue is recognised net of any franking credits.

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

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

### **(f) Expense recognition**

Expenses, including responsible entity fees, are recognised in the income statement on an accrual basis. Included in other operating expenses are accounting services fees, compliance costs and general legal fees.

### **(g) Leases**

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

### **(h) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## Statement of significant accounting policies continued.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

### (i) Current assets/(or disposal groups) held for sale and discontinued operations

Current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition. Current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

### (j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation.

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

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

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

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

### (k) Inventories

#### Land held for resale and development costs

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

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

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

### (l) Financial Assets

#### Classification

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

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

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

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

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 14) in the balance sheet.

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

## Statement of significant accounting policies continued.

### **(m) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement no more than 120 days from the date of recognition for land development and resale debtors, and no more than 60 days for other debtors.

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

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

### **(n) Trade and other payables**

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

### **(o) Security holders funds**

Amounts attributable to security holders of the Company are classified within equity but identified as a minority interest because the Trust has been identified as the accounting acquirer in accordance with AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements. Ordinary securities are classified as equity. Costs incurred, that are directly attributable to the raising of security holders funds and which would not have been incurred had the equity instruments not been issued, are recorded as a reduction of the proceeds received.

### **(p) Cash and cash equivalents**

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 on the balance sheet.

### **(q) Impairment**

The carrying amounts of the consolidated entity's assets, other than investment property (see accounting policy i), 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 other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

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

An impairment loss in respect of goodwill is not reversed.

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

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

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

## Statement of significant accounting policies continued.

### (r) Derivatives

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

Derivative financial instruments are recognised initially at fair value and subsequently measured at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The accounting for subsequent changes in the fair value is dependent on whether the derivatives are designated as a hedging instrument.

#### (i) Fair value hedge

Changes in fair value of any instrument that does not qualify for hedge accounting is recognised immediately in the income statement. The fair value of hedging instruments is classified as a non-current asset or liability when the remaining maturity is more than 12 months. They are classified as current when the maturity is less than 12 months. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Gains or losses on fair value hedges are recognised in profit and loss, and gains or losses on cash flow hedges are recognised directly in equity.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted price.

#### (ii) Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

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

### (s) Borrowings

Borrowings are recognised initially at fair value adjusted for attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Interest expense is accrued at the effective interest rate.

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

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

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

### (t) 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.

### (u) Income tax

#### The Trust

Under current legislation, the Trust is not subject to income tax, provided that the taxable income is fully distributed to unit holders. Tax allowances for building and plant and equipment depreciation are distributed to unit holders in the form of tax deferred components of distributions. Realised capital losses are not distributed to unit holders but are retained in the Trust to be offset against any future recognised capital gains.

#### The Company

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

However deferred tax assets are not recognised if they arise on the management's assessment of uncertain tax positions.

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

## Statement of significant accounting policies continued.

### *Tax consolidation legislation*

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

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

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

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

### **(v) Goods and services tax**

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

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **(w) Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision is raised in respect of any distribution to stapled security holders unpaid at balance date where:-

- (i) the distribution is in respect of amounts required to be distributed under the Trust's Constitution; or
- (ii) the distribution has been declared as payable prior to balance date.

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

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

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated possibilities.

Where the Group expects some or all of a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

### **(x) Employee benefits**

#### *Salaries and wages and annual leave*

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 in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *Long service leave*

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

#### *Share-based payments*

Share-based compensation benefits are provided to employees via an employee share scheme. Information relating to these schemes is set out in note 37.

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

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

The Employee Option Plan is administered by the GEO Planning Pty Ltd. Under the employee share scheme, securities issued by the GEO Employee Share Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the securities issued are recognised as an employee benefits expense with a corresponding increase in equity.

### **(y) Contributed equity**

Ordinary securities are classified as equity. Mandatorily redeemable preference securities are classified as liabilities.

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

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

## Statement of significant accounting policies continued.

### (z) Dividends & distributions

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

### (aa) Earnings per security

#### *Basic earnings per stapled security*

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

#### *Diluted earnings per stapled security*

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

### (bb) Rounding of amounts

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

### (cc) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Villa World Trust is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

(vi) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

## Statement of significant accounting policies continued.

(vii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and revised IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

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

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements.

Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014

(viii) IFRS 13 Fair Value Measurement (effective 1 January 2013) IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

## 2 Re-statement of comparative amounts

During the year, the Group has undertaken a review of the classification of the Eynesbury Development Joint Venture ("the JV"). On inception of the Eynesbury Development Joint Venture in 2004, the assessment at that time indicated the JV would operate and be classified as a jointly controlled asset. As such, proportional consolidation had been applied since inception. Specifically during the current period, the Eynesbury Development has evolved, including the operation and internal management of the JV, the Group has reconsidered this assessment and have concluded that the JV is in practice operating as a jointly controlled entity.

As Villa World's accounting policy is to apply the equity method to jointly controlled entities, the accounting has been adjusted in the current year. In order to ensure comparability, the prior year comparatives have been restated as if this treatment had always been applied.

The impact of the change on basic and diluted EPS of the entity was nil.

The impact on the financial statements was:

	30-Jun-10
	\$'000
<b>Consolidated statement of comprehensive income</b>	
Decrease in revenues	(1,005)
Decrease in expenses	2,537
Increase in share of net losses of associates and joint ventures accounted for using the equity method	(1,532)
<b>Total comprehensive income</b>	<b>-</b>

	30-Jun-10	1-Jul-09
	\$'000	\$'000
<b>Consolidated statement of financial position</b>		
<b>Increase/(decrease) in assets and liabilities</b>		
Inventory	(31,152)	(30,004)
Other assets	(2,626)	(2,479)
<b>Total assets</b>	<b>(33,778)</b>	<b>(32,483)</b>
Current liabilities	(932)	(836)
Non-current liabilities due to joint venture partners	(32,846)	(31,647)
<b>Total liabilities</b>	<b>(33,778)</b>	<b>(32,483)</b>
<b>Net Assets</b>	<b>-</b>	<b>-</b>

### 3 Critical accounting estimates and judgements

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

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

(i) *Income taxes*

The Group is subject to income taxes in Australia.

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

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

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

(ii) *Assets held for sale*

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. The reported fair values of investment property reflect market conditions at the end of the reporting period. While this represents the best estimates as at the reporting date, actual sale prices achieved may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty.

(iii) *Inventory*

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

### 4 Segment information

(a) *Description of segments*

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

Villa World Group 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 committee considers the business from both a product, and within Australia, a geographic perspective and has identified two reportable segments:

*Property development – Queensland*

*Property development – Victoria*

The New South Wales segment has not been reported individually as the executive committee does not consider it to have materially contributed to the Group revenue, is not considered a growth segment for the business in the future and does not meet the quantitative criteria for disclosure as a separate segment. In addition, those existing development projects have significantly wound down during the financial year, with no expectation to continue in that geographical area in the foreseeable future.

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

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

(b) *Segment information provided to the executive committee*

(i) *Segment revenue*

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

(ii) *Segment gross margin*

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

#### 4 Segment information continued.

The segment information provided to the executive committee for the reportable segments for the year ended 30 June 2011 is as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>From continuing operations</b>		
Segment revenue from land, residential and commercial development activities		
Property development – Queensland	90,741	178,950
Property development – Victoria	19,799	53,527
Property development – other	295	25,329
<b>Total segment revenue</b>	<b>110,835</b>	<b>257,806</b>
<b>Segment gross margin</b>		
Property development – Queensland	20,717	35,520
Property development – Victoria	10,052	11,280
Property development – other	(1,631)	6,656
<b>Total segment gross margin</b>	<b>29,138</b>	<b>53,456</b>

#### (c) Other segment information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$111 million (30 June 2010: \$258 million)

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Total segment revenue	110,835	257,806
Interest revenue	1,120	695
<b>Total revenue from continuing operations (note 7)</b>	<b>111,955</b>	<b>258,501</b>

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

#### 5 Distributions & dividends paid and payable

	2011		2010	
	\$'000	Cents per security	\$'000	Cents per security
<b>Ordinary Units</b>				
<b>Distributions Paid</b>				
December half year	6,399	7.5	-	-
June half year	4,266	5.0	-	-
	<b>10,665</b>	<b>12.5</b>	-	-
<b>Ordinary Shares</b>				
<b>Dividends Paid</b>				
June half year	-	-	4,269	5.0
	-	-	<b>4,269</b>	<b>5.0</b>

## 6 Earnings per stapled security

### (a) Basic and diluted earnings per security

	Consolidated	
	2011	2010
	Cents	Cents
<i>Earnings per stapled security</i>		
From continuing operations attributable to the stapled security holders	11.4	24.6
From discontinued operations	4.4	(3.2)
	15.8	21.4

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

	Consolidated	
	2011	2010
	Cents	Cents
<i>Stapled security holders</i>		
Profit/(loss) from continuing operations	9,716	20,960
Profit/(loss) from discontinued operations attributable to stapled security holders	3,769	(2,717)
	13,485	18,243

### (c) Weighted average number of stapled securities

Weighted average number of stapled securities used as the denominator in calculating basic and diluted earnings per stapled security is 85,372,526 (30 June 2010: 85,372,526).

### (d) Diluted average number of stapled securities

Neither the Trust nor the Company have issued any other securities that may result in a dilution of earnings attributable to unit holders in the Trust or security holders in the Company. Diluted earnings per stapled security are therefore the same as basic earnings per stapled security.

## 7 Revenue

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Revenue from land, residential and commercial development activities	110,835	256,891
Nursery and plant sales	-	845
Construction contract fees	-	70
	110,835	257,806
<i>Other revenue</i>		
Interest revenue	1,120	695
	111,955	258,501

## 8 Finance costs

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Loan interest and charges</b>		
Other financial institutions	8,345	6,840
Unw ind of discount deferred consideration	804	2,535
Borrowing costs	1,255	330
	10,404	9,705
Amount capitalised	(3,698)	(2,422)
Unw ind of amount capitalised*	2,720	6,809
<b>Total finance costs included within the income statement</b>	<b>9,426</b>	<b>14,092</b>

### \* Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted interest rate applicable to the entity's outstanding borrowings during the year, including line fees and margins, in this case 9.91% (30 June 2010 – 9.64%).

## 9 Other expenses

	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
<b>Other expenses</b>			
Legal and professional costs		2,597	2,718
Administration costs		603	778
Other costs		1,731	2,117
<b>Total other expenses</b>		<b>4,931</b>	<b>5,613</b>
<b>Depreciation</b>			
Plant and equipment		314	898
<b>Total depreciation</b>	<b>17</b>	<b>314</b>	<b>898</b>
<b>Total depreciation and amortisation expense</b>		<b>314</b>	<b>898</b>

## 10 Auditors' remuneration

### (a) Audit services provided by PwC:

	Consolidated	
	2011	2010
	\$	\$
<b>Audit and other assurance services</b>		
Audit and review of financial reports	199,870	285,503
	<b>199,870</b>	<b>285,503</b>
<b>Other services provided by PwC:</b>		
Taxation services	12,700	14,450
Other services	156,779	34,741
	<b>169,479</b>	<b>49,191</b>
<b>Total services provided by PwC</b>	<b>369,349</b>	<b>334,694</b>

### (b) Audit services provided by KPMG:

	Consolidated	
	2011	2010
	\$	\$
<b>Audit and other assurance services</b>		
Other regulatory audit services	-	25,720
Audit of property outgoings	10,100	37,020
	<b>10,100</b>	<b>62,740</b>
<b>Other services provided by KPMG:</b>		
Taxation services	92,025	106,198
Due diligence services	15,000	37,088
Other services	5,000	21,975
	<b>112,025</b>	<b>165,261</b>
<b>Total services provided by KPMG</b>	<b>122,125</b>	<b>228,001</b>

## 11 Discontinued operations

### Description

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

During the current financial year, two assets were sold, with only one remaining asset held at year end.

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

(a) Financial performance and cash flow information	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue		3,371	7,088
Expenses		(978)	(5,337)
<b>Net income from discontinued operations</b>		<b>2,393</b>	<b>1,751</b>
Net gain/(loss) on disposal of investment properties		3,024	638
Net gain/(loss) in fair value of investment properties		(1,648)	(3,310)
Impairment of receivables		-	(1,440)
Net gain/(loss) in fair value of other assets		-	(356)
<b>Net profit/(loss) before income tax</b>		<b>3,769</b>	<b>(2,717)</b>
Income tax (expense)/benefit		-	-
<b>Profit/(loss) from discontinued operations</b>		<b>3,769</b>	<b>(2,717)</b>
Net cash inflow/(outflow) from operating activities		(4,270)	3,227
Net cash inflow/(outflow) from investing activities		27,479	35,424
<b>Net increase/(decrease) in cash generated by the division</b>		<b>23,209</b>	<b>38,651</b>

### (b) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 30 June 2011 were:

Investment properties held for sale	11d	7,418	29,409
Receivables and other assets		443	1,817
<b>Total assets</b>		<b>7,861</b>	<b>31,226</b>
Trade and other payables		-	3,337
<b>Total liabilities</b>		<b>-</b>	<b>3,337</b>
<b>Net assets</b>		<b>7,861</b>	<b>27,889</b>

### (c) Disposal group classified as held for sale

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Assets of disposal group classified as held for sale	11b	7,861	31,226
<b>Total assets</b>		<b>7,861</b>	<b>31,226</b>
Liabilities directly associated with assets of a disposal group classified as held for sale	11b	-	3,337
<b>Total liabilities</b>		<b>-</b>	<b>3,337</b>

## Discontinued operations continued.

### (d) Investment properties classified as a disposal Group

	Consolidated	
	2011	2010
Notes	\$'000	\$'000
Reclassification of assets from:		
Balance at 1 July	29,409	68,945
Proceeds from sale of investment properties	(23,337)	(38,938)
Profit/(loss) on sale of investment properties	3,024	638
Impairment of investment properties	(1,648)	(3,310)
Capital expenditure and others	(30)	2,074
<b>Total</b>	<b>7,418</b>	<b>29,409</b>

## 12 Income tax expense

### (a) Income tax expense/(benefit)

	Consolidated	
	2011	2010
	\$'000	\$'000
Deferred tax	2,557	(4,158)
<b>Aggregate income tax expense</b>	<b>2,557</b>	<b>(4,158)</b>

#### *Income tax is attributable to*

Profit from continuing operations	2,557	(4,158)
	<b>2,557</b>	<b>(4,158)</b>

#### *Deferred income tax (revenue)/expense included in income tax expense comprises*

Decrease/(increase) in deferred tax assets (note 20)	10,005	(12,601)
(Decrease)/increase in deferred tax liabilities (note 20)	(7,413)	5,047
Deferred tax asset acquired through business combination	-	3,383
Amounts recognised in equity	(35)	13
	<b>2,557</b>	<b>(4,158)</b>

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

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit/(loss) from continuing operations before tax	12,273	16,802
Profit/(loss) from discontinuing operations before tax	3,769	(2,717)
	<b>16,042</b>	<b>14,085</b>
Tax at the Australian tax rate of 30% (2010: 30%)	4,813	4,226
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income	(1,596)	(599)
Non-taxable operations (trusts and sub-trusts)	(759)	1,011
(Over)/under provision of income tax in prior year	99	(3,351)
Temporary difference from prior period recognised in the current period	-	(5,445)
<b>Total income tax expense/(benefit)</b>	<b>2,557</b>	<b>(4,158)</b>

### (c) Tax losses

During the year prima facie taxable income of \$4.81 million was generated in Villa World Limited. Carried forward tax losses have been utilised to reduce taxable income to nil. A deferred tax asset of \$5.48 million has been recognised as at 30 June 2011 on the remaining carried forward unused tax losses of \$18.2 million.

## 12 Income tax expense continued.

### (d) Tax consolidation legislation

Villa World Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 12 December 2006. The accounting policy in relation to this legislation is set out in note 1(u).

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into tax sharing agreements which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Villa World Limited.

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

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

### (e) Franking account

An amount of \$18.2 million (30 June 2010: \$18.2 million) is held as franking credits in Villa World Limited.

## 13 Cash and cash equivalents

	Consolidated	
	2011	2010
	\$'000	\$'000
Cash at bank and in hand	3,911	26,347
Call deposits	1,953	2,500
<b>Cash and cash equivalents</b>	<b>5,864</b>	<b>28,847</b>

### (a) Reconciliation to cash at the end of year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Balance as above	5,864	28,847
<b>Balance per statement of cash flows</b>	<b>5,864</b>	<b>28,847</b>

## 14 Receivables

	Note	Consolidated	
		2011	2010
		\$'000	\$'000
<b>Current assets</b>			
Trade receivables		5,789	38,889
Provision for impairment of receivables		-	(513)
		<b>5,789</b>	<b>38,376</b>
Loans to joint ventures	32	6,720	6,857
Other receivables		2,562	961
<b>Total current assets</b>		<b>15,071</b>	<b>46,194</b>
<b>Non-current assets</b>			
Loan to joint ventures	32	26,255	20,793
Provision for impairment loss	32	(5,847)	(5,847)
<b>Total non-current assets</b>		<b>20,408</b>	<b>14,946</b>

## 14 Receivables continued.

### (a) Impaired receivables

As at 30 June 2011, current receivables of the Group with a nominal value of \$5.85 million (30 June 2010: \$6.36 million) were impaired. The amount of the provision was \$5.85 million (30 June 2010: \$6.36 million). The majority of the impairment relates to \$4.77 million loan to Eynesbury Development Joint venture and \$1.07 million receivable from Eynesbury Golf Pty Ltd.

	Consolidated	
	2011 \$'000	2010 \$'000
At 1 July	6,360	16,070
Elimination of joint venture loan due to acquisition	-	(10,800)
Provision for impairment for joint venture loans to related parties	-	1,073
Reversal of provision for impairment for joint venture loans to related parties	-	(496)
Provision for impairment recognised during the year	-	591
Receivable written off during the year as uncollectible	(513)	(78)
	<b>5,847</b>	<b>6,360</b>

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The ageing of current receivables is as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
1 to 3 months	5,664	38,344
3 to 6 months	122	11
Over 6 months	3	21
	<b>5,789</b>	<b>38,376</b>

### (b) Past due but not impaired

As of 30 June 2011, trade receivables of the Group of \$124,459 (30 June 2010: \$32,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

## 15 Inventories

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Current assets</b>		
Land and developments held for resale	72,969	54,172
	<b>72,969</b>	<b>54,172</b>
<b>Non-current assets</b>		
Land and developments held for resale	101,204	100,383
	<b>101,204</b>	<b>100,383</b>
<b>Total inventory</b>	<b>174,173</b>	<b>154,555</b>

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to nil (30 June 2010: \$0.517 million). The prior year expense has been included as impairment of development land in the consolidated income statement.

## 16 Other assets

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Current assets</b>		
Prepayments	215	1,172
Deposits	-	2,440
Other	1,895	72
	<b>2,110</b>	<b>3,684</b>
<b>Non-current assets</b>		
Other	251	123
	<b>251</b>	<b>123</b>
<b>Total other assets</b>	<b>2,361</b>	<b>3,807</b>

## 17 Property, plant and equipment

Year ended 30 June 2011

	Land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
Opening net book amount	-	701	701
Additions	-	429	429
Disposals	-	(20)	(20)
Depreciation charge	-	(314)	(314)
<b>Closing net book amount</b>	<b>-</b>	<b>796</b>	<b>796</b>

At 30 June 2011

Cost	-	7,176	7,176
Accumulated depreciation	-	(6,380)	(6,380)
<b>Net book amount</b>	<b>-</b>	<b>796</b>	<b>796</b>

Year ended 30 June 2010

	Land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
Opening net book amount	5,000	1,643	6,643
Additions	-	184	184
Transfer to WIP	(5,000)	-	(5,000)
Disposals	-	(228)	(228)
Depreciation charge	-	(898)	(898)
<b>Closing net book amount</b>	<b>-</b>	<b>701</b>	<b>701</b>

At 30 June 2010

Cost	-	7,075	7,075
Accumulated depreciation	-	(6,374)	(6,374)
<b>Net book amount</b>	<b>-</b>	<b>701</b>	<b>701</b>

## 18 Investments accounted for using the equity method

### Interest in joint ventures

The interests in Eynesbury Development Joint Venture, Eynesbury Holdings Pty Ltd, Eynesbury Pastoral Trust, Eynesbury Golf Pty Ltd, Cotton Ventures Pty Ltd and Cornell's Hills Pty Ltd are accounted for in the consolidated financial statements using the equity method of accounting (refer to note 34).

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Interest in joint ventures</b>	<b>34</b>	<b>9,015</b>	<b>7,082</b>

## 19 Parent entity financial information

### (a) Summary financial information

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

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Balance sheet</b>		
Current assets	7,033	14,658
<b>Total assets</b>	<b>308,428</b>	<b>349,589</b>
Current liabilities	1,293	88,316
<b>Total liabilities</b>	<b>55,293</b>	<b>88,316</b>
<b>Net assets</b>	<b>253,135</b>	<b>261,273</b>
<b>Shareholders' equity</b>		
Issued capital	388,011	388,011
Retained earnings	(134,876)	(126,738)
<b>Total equity</b>	<b>253,135</b>	<b>261,273</b>
<b>Profit / (loss) for the year</b>	<b>2,529</b>	<b>(3,373)</b>
<b>Total comprehensive income</b>	<b>32,208</b>	<b>(3,373)</b>

### (b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees during the financial year ended 30 June 2011.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

## 20 Deferred tax assets / (liabilities)

	Consolidated	
	2011 \$'000	2010 \$'000
<b>The net deferred tax assets/(liabilities) comprise of temporary differences attributable to:</b>		
Tax losses	5,478	6,797
Inventories	5,830	13,531
Accruals	139	74
Employee benefits	116	128
Provisions	1,728	1,681
Property, plant and equipment	498	621
Other	1,720	2,682
<b>Total deferred tax assets</b>	<b>15,509</b>	<b>25,514</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,572)	(11,985)
<b>Net deferred tax assets/(liabilities)</b>	<b>10,937</b>	<b>13,529</b>
<b>The deferred tax liabilities are comprised of:</b>		
Trade debtors	(3,342)	(11,227)
Other current debtors	(332)	(152)
Other assets	-	(131)
Equity accounted investments	(898)	(475)
<b>Total deferred tax liabilities</b>	<b>(4,572)</b>	<b>(11,985)</b>
Set-off by deferred tax assets	15,509	25,514
<b>Net deferred tax assets</b>	<b>10,937</b>	<b>13,529</b>

## 21 Payables

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Current liabilities</b>		
Trade payables*	4,751	11,975
Accrued expenses	13,129	19,433
Other payables**	3,683	4,325
<b>Total current payables</b>	<b>21,563</b>	<b>35,733</b>
<b>Non-current liabilities</b>		
Derivative payable	-	2,134
Other payables^	5,356	-
<b>Total non-current payables</b>	<b>5,356</b>	<b>2,134</b>
<b>Total Payables</b>	<b>26,919</b>	<b>37,867</b>

\* Includes \$3.6 million (30 June 2010: \$7.3 million) payable for the purchase of inventory, due within 12 months of the reporting date.

\*\* Includes unearned income of \$1.2 million and deferred finance charges of \$0.2 million.

^ Includes deferred finance charges of \$0.4 million and \$4.9 million payable for the purchase of inventory greater than 12 months of the reporting date.

## 21 Payables continued.

### Derivative financial instruments

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 27).

#### Interest rate swap contracts – cash flow hedges

The 'Multi-Option' bank facility for the Group bears an average variable interest rate of 9.64% (including line and facility fee). The project specific loan bears an average variable rate of 5.72% (including line and facility fee).

It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

There are currently three interest rate swap contracts in place as per the table below:

	Amount hedged \$'000	Expiry date	Loan facility \$'000	Percent hedged %	Fixed rate %	Variable rate as at 30-Jun-11 <sup>^</sup> %	Valuation as at 30-Jun-11 \$'000
<b>Interest rate swaps</b>							
Multi Option facility ANZ	25,000	7-Jun-12	57,500	43.5	6.969	4.87	(524)
Multi Option facility WBC	25,000	7-Jun-12	52,500	47.6	6.979	4.87	(500)
Project specific	6,000	15-Feb-13	11,919	50.3	5.390	4.85	(37)
<b>Total</b>	<b>56,000</b>		<b>121,919</b>	<b>45.9</b>			<b>(1,061)</b>

<sup>^</sup> Variable rate is 30 day BBSY @ 30 June 2011

The swap rates outlined above do not include any margin and line fees applicable under the loan agreements.

The contracts require settlement of net cash receivable or payable each month. The settlement dates coincide with the dates on which any gain or loss is payable or receivable on the underlying debt.

At 30 June 2011, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
1 – 2 years	56,000	56,000
3 – 4 years	-	3,981
	<b>56,000</b>	<b>59,981</b>

#### Interest rate swaps for Multi Option facility

At balance date, these contracts were liabilities with fair value of \$1.02 million (30 June 2010:\$2 million).

The hedges were considered ineffective in the current and prior year, and the movement in the fair value has been disclosed within the group consolidated income statement.

#### Interest rate swaps for project specific facility

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2011, a loss of \$111,565 was reclassified into profit or loss (30 June 2010: \$22,000) and included in finance costs.

There was no hedge ineffectiveness in the current or prior year.

At balance date, these contracts were liabilities with fair value of \$37,000 (30 June 2010: \$154,000).

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate risks. Refer to note 27.

## 22 Borrowings

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Current liabilities</b>		
<b>Secured</b>		
Syndicated loan	-	83,000
Bank loan – project specific	6,000	6,500
<b>Total current borrowings</b>	<b>6,000</b>	<b>89,500</b>
<b>Non-current liabilities</b>		
<b>Secured</b>		
Syndicated loan	51,000	-
Bank loan – project specific	5,404	13,561
<b>Total non-current borrowings</b>	<b>56,404</b>	<b>13,561</b>
<b>Total borrowings</b>	<b>62,404</b>	<b>103,061</b>

### (a) Financing arrangements

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

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Total Financing facilities</b>		
Syndicated loan (secured) (i)	110,000	103,000
Project Finance Bank loan (secured) (ii)	11,919	21,383
	<b>121,919</b>	<b>124,383</b>
<b>Facilities utilised at reporting date</b>		
Syndicated loan (secured) (i)	51,000	83,000
Project Finance Bank loan (secured) (ii)	11,404	20,061
	<b>62,404</b>	<b>103,061</b>
<b>Bank guarantees utilised at reporting date</b>		
Syndicated loan (secured) (i)	5,577	7,045
Project Finance Bank loan (secured) (ii)	515	1,322
	<b>6,092</b>	<b>8,367</b>
<b>Facilities unutilised at reporting date</b>		
Syndicated loan (secured) (i)	53,423	12,955
Project Finance Bank loan (secured) (ii)	-	-
	<b>53,423</b>	<b>12,955</b>

## 22 Borrowings continued.

### (i) Syndicated loan facilities

On 30 November 2010 the Group successfully re-negotiated its Multi Option Facility ("MOF"). Of the key dates relating to the renegotiation of the facility disclosed in the 30 June 2010 annual report, all were met within the disclosed period.

The facility limit under the amended MOF is \$110 million (inclusive of bank guarantees and working capital). As at 30 June 2011, the MOF was drawn at \$51 million plus bank guarantees of \$5.6 million.

Bank guarantees issued are to the total of \$5.6 million (30 June 2010: \$8.3 million) and are disclosed in note 30 – Contingencies.

As part of the re-negotiation process there was a change in the members of the banking syndicate. The lenders under the amended MOF are now Westpac Banking Corporation and Australia and New Zealand Banking Group. Villa World Management Ltd is the borrower in its own capacity and as responsible entity of Villa World Trust.

In line with the requirements of Australian Accounting Standards, the re-negotiation of the MOF has been accounted as an extinguishment of the previous debt facility. Capitalised borrowing costs in relation to the old facility, of \$0.5 million have been fully expensed in the income statement, as part of finance costs.

The facility matures on the 1 September 2012.

All covenants under the terms of the amended facility were met within the required timeframes and during the current year.

Interest is payable based on a margin over bank bill swap rate and the Group has entered into interest rate swap contracts to fix the interest rate at approximately 6.979% on \$50 million of borrowings.

### (ii) Project finance bank loan

A specific project finance facility of \$11.9 million, inclusive of bank guarantees (30 June 2010: \$20 million) is funded by BOS International (Australia) Limited. The borrowings for the project finance facility are in the name of GPDQ Pty Ltd, a wholly-owned subsidiary of the Group.

The facility will expire on the 28 February 2013. Specific partial repayment terms have been agreed in the loan agreement. Two repayments of \$6.0 million and \$5.4 million will be required on the 28 of February 2012 and 2013 respectively. On the 28 of February 2011, a repayment of \$6.5 million was made to BOS International (Australia) Limited.

Under this project finance facility, bank guarantees were issued to the total of \$0.5 million (30 June 2010: \$1.3 million) and are disclosed in note 30 – Contingencies.

### (b) Assets pledged as security

The facility is secured by registered mortgage over the Trust's investment property and the majority of the Company's property inventories. The facility is also secured by mortgage debentures over all assets and undertakings of Villa World Limited and GEO Developments Pty Ltd. The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Secured by registered mortgage:</b>		
Assets of disposal group classified as held for sale	7,418	29,409
Inventories	172,398	185,707
	<b>179,816</b>	<b>215,116</b>

## 23 Provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Current liabilities</b>		
Warranties	3,754	1,848
Other provisions	711	700
Employee benefits - annual leave and long service leave	235	301
<b>Total current provisions</b>	<b>4,700</b>	<b>2,849</b>
<b>Non-current liabilities</b>		
Employee benefits - long service leave	152	127
<b>Total non-current provisions</b>	<b>152</b>	<b>127</b>
<b>Total provisions</b>	<b>4,852</b>	<b>2,976</b>

## 23 Provisions continued.

### (a) Warranties

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

### (b) Movements in provisions

Consolidated 2011	Service warranties \$'000	Other provisions \$'000	Total \$'000
<b>Current</b>			
Carrying amount at start of year	1,848	700	2,548
Additional provisions recognised	3,240	11	3,251
Amounts incurred and charged	(1,334)	-	(1,334)
<b>Carrying amount at end of year</b>	<b>3,754</b>	<b>711</b>	<b>4,465</b>

## 24 Contributed equity

	Villa World Group		Parent Villa World Trust		Stapled entity Villa World Limited	
	Securities		Units		Shares	
	2011 '000	2010 '000	2011 '000	2010 '000	2011 '000	2010 '000
<b>Issued Capital</b>						
<b>Ordinary securities fully paid</b>						
Beginning of the financial year*	85,373	85,373	85,373	85,373	85,373	85,373
End of the financial year	85,373	85,373	85,373	85,373	85,373	85,373

\* Securities re-stated based on a 5:1 consolidation. The number of securities were reduced from 426,862,630 to 85,372,526.

	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Movement in issued capital</b>						
Beginning of the financial year	392,036	391,981	387,936	387,881	4,100	4,100
Treasury securities	-	55	-	55	-	-
End of the financial year	392,036	392,036	387,936	387,936	4,100	4,100

### (a) Terms and conditions

#### Ordinary stapled security

A stapled security consists of one unit in the Trust and one security in the Company stapled together for the purpose of trading the securities on the Australian Securities Exchange. Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Trust. Each stapled security entitles the holder to one vote, either in person or by proxy, at a meeting of the Trust or Company. There is no par value and the Trust and Company do not have a limited amount of authorised capital.

### (b) Dividend and distribution reinvestment plan

Under the Dividend Distribution Reinvestment Plan (DDRP), stapled security-holders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities, rather than being paid in cash. The DDRP has been suspended since 6 March 2008.

## 24 Contributed equity continued.

### (c) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for security holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the leverage ratio. This ratio is calculated as total debt divided by total tangible assets. Total debt is calculated as borrowings (including 'interest bearing liabilities' and 'other financial commitments' as shown in the balance sheet). Total tangible asset are calculated as total assets less intangible assets.

During the financial year ended 30 June 2011, the Group's strategy was to reduce debt and the gearing ratio. As at 30 June 2011, the leverage ratio was 23% (30 June 2010: 27%).

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Total borrowings (excluding bank guarantees)	22	62,404	103,061
Less cash	13	(5,864)	(28,847)
		<b>56,540</b>	<b>74,214</b>
Total assets		246,486	300,887
Less cash	13	(5,864)	(28,847)
		<b>240,622</b>	<b>272,040</b>
Gearing ratio		23%	27%

### (d) Treasury securities

Treasury securities are securities in Villa World Trust and Villa World Limited that are held by GEO Planning Pty Ltd as trustee for the GEO Employee Plan Trust for the purpose of issuing securities under an Employee share scheme (see note 37 for further information).

Date	Details	Number of Securities	\$'000
8 September 2008	Acquisition of securities	76,364	105
15 October 2008	Acquisition of securities	23,636	26
26 February 2010	Shares issued to employees	(41,800)	(55)
<b>Total</b>		<b>58,200</b>	<b>76</b>

## 25 Reserves and retained profits

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Hedging reserve – cash flow hedges</b>		
Balance 1 July	(27)	-
Subsidiary hedge reserve	82	(27)
<b>Balance 30 June</b>	<b>55</b>	<b>(27)</b>
<b>Share-based payments reserve</b>		
Balance 1 July	-	38
Shares issued to employees of subsidiaries	-	(38)
<b>Balance 30 June</b>	<b>-</b>	<b>-</b>
<b>Retained profits/(accumulated losses) - Trust</b>		
Balance 1 July	(126,350)	(122,977)
Net profit/(loss) for the year	2,529	(3,373)
Distribution paid and payable	(10,665)	-
<b>Balance 30 June</b>	<b>(134,486)</b>	<b>(126,350)</b>
<b>Retained profits/(accumulated losses) - Company</b>		
Balance 1 July	(116,821)	(134,168)
Dividend paid and payable	-	(4,269)
Net profits/(losses) for the year	10,956	21,616
<b>Balance 30 June</b>	<b>(105,865)</b>	<b>(116,821)</b>

(i) *Hedging reserve – 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 directly in equity. Amounts are reclassified to profit and loss when the associated hedged transaction affects profit and loss.

## 26 Dividends

	Consolidated	
	2011	2010
	\$	\$
<b>(a) Stapled securities:</b>		
Interim dividend for the year ended 30 June 2010 of 5.0 cent per fully paid security paid 25 March 2010		
Fully franked based on tax paid @ 30%	-	4,269
<b>(b) Franked dividends:</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (30 June 2010: 30%)	18,248	18,248

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

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

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

## 27 Financial risk management

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

- market risk
- price risk
- credit risk
- liquidity risk
- interest rate risk.

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

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

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

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

### (a) Market risk

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

#### (i) Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, or factors affecting an industry sector of the market as a whole.

The Group does not have exposure to equity investments publicly traded on the ASX.

#### (ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 50% plus up to \$25 million of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2011 and 2010, the Group's borrowings at variable rate were denominated in Australian dollars.

## 27 Financial risk management continued.

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

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and syndicated loans	9.91%	51,000	9.64%	83,000
Bank loans - project specific	8.62%	11,404	7.24%	20,061
Interest rate sw aps - syndicated loans	6.97%	50,000	6.86%	50,000
Interest rate sw aps - project specific	5.39%	6,000	5.39%	6,000
Interest rate sw aps - project specific	-	-	7.93%	3,981
<b>Net exposure to cash flow interest rate risk</b>	<b>9.66%</b>	<b>6,404</b>	<b>9.64%</b>	<b>43,080</b>

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

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

### Group sensitivity

At 30 June 2011, if interest rates had changed by +/- 25 basis points from the year-end rates with all other variables held constant, post-tax losses for the year, rounded to the nearest thousand, would have been \$0.31 million lower/higher (2010 – change of 25 bps: \$0.5m lower/higher), mainly as a result of higher/lower interest expense from interest bearing liabilities.

### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

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

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

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments.

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

## 27 Financial risk management continued.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Trade receivables</b>		
Counterparties without credit rating		
Group 1 <sup>^</sup>	5,284	38,889
Group 2 <sup>^^</sup>	505	-
<b>Total trade receivables</b>	<b>5,789</b>	<b>38,889</b>
<sup>^</sup> Group 1 - This group of receivables is primarily from the sale of house and land packages and land only.		
<sup>^^</sup> Group 2 - This group of receivables is primarily property tenants of investment properties.		
<b>Cash at bank and short-term bank deposits</b>		
AA	5,864	28,837
	<b>5,864</b>	<b>28,837</b>
<b>Derivative financial assets/(liabilities)</b>		
B- (BOSI)	(1,061)	(2,134)

### (c) Liquidity risk

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

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

#### *Financing arrangements*

On 30 November 2010, the Group successfully re-negotiated its Multi Option Facility ("MOF"). Refer to Note 22.

The Group and the parent entity has access to the following undrawn borrowing facilities at the reporting date:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Floating Rate</i>		
Expiring beyond one year	53,423	12,955
	<b>53,423</b>	<b>12,955</b>

The bank overdraft facilities may be drawn at any time.

## 27 Financial risk management continued.

### Maturities of financial liabilities

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

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30-Jun-11</b>							
Real estate purchases deferred payments	2,250	2,250	4,500	2,000	-	11,000	9,218
Non interest bearing loan to related parties	-	571	-	-	-	571	571
Bank loan	-	6,000	5,404	-	-	11,404	11,404
Syndicated loan facility	-	-	51,000	-	-	51,000	51,000
<b>Total non derivatives</b>	<b>2,250</b>	<b>8,821</b>	<b>60,904</b>	<b>2,000</b>	<b>-</b>	<b>73,975</b>	<b>72,193</b>

<b>Derivatives</b>							
Net settled (interest rate swaps)	-	1,024	37	-	-	1,061	1,061
<b>Total derivatives</b>	<b>-</b>	<b>1,024</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>1,061</b>	<b>1,061</b>

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30-Jun-10</b>							
Real estate purchases deferred payments	-	10,000	-	-	-	10,000	7,340
Non interest bearing loan to related parties	-	4,808	-	-	-	4,808	37,654
Bank loan	-	6,500	6,000	7,561	-	20,061	20,061
Syndicated loan facility	83,000	-	-	-	-	83,000	83,000
<b>Total non derivatives</b>	<b>83,000</b>	<b>21,308</b>	<b>6,000</b>	<b>7,561</b>	<b>-</b>	<b>117,869</b>	<b>148,055</b>

<b>Derivatives</b>							
Net settled (interest rate swaps)	-	96	1,979	58	-	2,133	2,133
<b>Total derivatives</b>	<b>-</b>	<b>96</b>	<b>1,979</b>	<b>58</b>	<b>-</b>	<b>2,133</b>	<b>2,133</b>

## 27 Financial risk management continued.

### (d) Fair value

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

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

Liabilities	Level 2	
	2011 \$'000	2010 \$'000
<i>Financial assets at fair value through profit and loss:</i>		
Derivatives used for hedging	1,061	2,133
<b>Total liabilities</b>	<b>1,061</b>	<b>2,133</b>

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

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

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

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

## 28 Key management personnel disclosures

Key management personnel are employed by GEO Developments Pty Ltd and they had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

- Scott Payten – *Chief Operating Officer*
- Paulene Henderson – *Chief Financial Officer*

### (a) Compensation paid to Key Management Personnel

	2011 \$	2010 \$
Short term employee benefits	664,454	622,560
Long-term benefits	30,398	30,932
Post employment benefits	10,628	17,479
Share-based payments	140,773	294
	<b>846,253</b>	<b>671,265</b>

Detailed remuneration disclosures can be found in Note 29

### (b) Equity instrument disclosures relating to Key management personnel

#### (i) Options provided as remuneration and securities issued on exercise of such options

No options over ordinary securities have been issued in this entity during this financial year. However at the General Meeting on 30 June 2011 a resolution was approved to issue options to the Managing Director, John Potter. This has also been disclosed in the events subsequent to balance date in note 35.

#### (ii) Options holdings

There were no options over ordinary securities in the company during the financial year.

#### (iii) Cash settled share based payments

The remuneration structure of key management personnel includes a cash based bonus payment dependant on the achievement of certain performance conditions, market and non-market. These arrangements are accounted for as cash settled share based transactions. Refer share-based payment disclosures on page 73.

## 28 Key management personnel disclosures continued.

### (iv) Security holdings

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

2011	Balance at the start of the year		Granted during year		Other changes during the year		Balance at the end of the year	
	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding
<b>Directors</b>								
R Anderson	-	51,091	-	-	-	-	-	51,091
A Baw den*	-	2,771,337	-	-	-	(2,771,337)	-	-
R Bosiljevac*	760	-	-	-	(760)	-	-	-
G Farrands*	760	211,881	-	-	(760)	(211,881)	-	-
T Harry	-	-	-	-	-	600,000	-	600,000
A Beard**++	-	-	-	-	-	-	-	-
J Potter	3,908,917	2,145,820	-	-	(3,908,917)	3,908,917	-	6,054,737
<b>Personnel</b>								
P Henderson	-	-	-	-	-	-	-	-
S Payten	760	-	-	-	-	-	760	-

\* Resigned as a Director during the financial year ended 30 June 2011

\*\* Was appointed as a Director during the financial year ended 30 June 2011

++ Alexander Beard is the Managing Director of CVC Limited, which owns 56,628,828 securities.

2010	Balance at the start of the year		Granted during year		Other changes during the year		Balance at the end of the year	
	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding	Direct Holding	Indirect Holding
<b>Directors</b>								
R Anderson	-	51,091	-	-	-	-	-	51,091
A Baw den	-	3,122,937	-	-	-	(351,600)	-	2,771,337
R Bosiljevac	-	-	760	-	-	-	760	-
G Farrands	-	211,881	760	-	-	-	760	211,881
T Harry+	-	-	-	-	-	-	-	-
J Potter	-	6,054,737	-	-	3,908,917	(3,908,917)	3,908,917	2,145,820
<b>Personnel</b>								
S Payten	-	-	760	-	-	-	760	-
P Henderson**	-	-	-	-	-	-	-	-
L Kelly*	-	-	-	-	-	-	-	-

\* Left the Group during the financial year ended 30 June 2010

\*\* Re-joined the Group during the financial year ended 30 June 2010

+ Troy Harry is the Managing Director of Trojan Equity Limited, which owns 85,372,385 securities.

### Loans to key management personnel

For the financial year ended 30 June 2011 and 2010, there were no loans to key management personnel.

### Other transactions with key management personnel

In the financial year ended 30 June 2010, GEO Developments Pty Ltd entered into a commercial contract to build houses with an entity associated with John Potter. The transaction was on arm's length and commercial terms and Mr Potter did not participate in the decision making process. All services relating to the contract have now been provided and the contract finalised, with the remaining houses completed in 2011. Total revenue attributable for the term of the contract was \$1,036,589.

## 29 Remuneration report

Due to its corporate structure, the Group is not required to present a remuneration report under the Corporations Act 2001. The Group has provided details of executive remuneration consistent with that normally provided in a company's remuneration report below.

### Remuneration policy and strategy

#### Overview

The responsibility for overseeing remuneration policy and strategy lies with the Remuneration and Nomination Committee, including:

- Reviewing and making recommendations to the Board on remuneration strategy and policies for Group employees.
- Annually reviewing and making recommendations to the Board on the executive directors' and key management personnel's remuneration and performance.
- Making recommendations to the Board of Directors' compensation.

#### Villa World Group's Remuneration Policy

Villa World Group's Remuneration Framework is structured to:

- Attract and motivate high quality talent to deliver superior long term returns for security holders.
- Align security holders' and employees' interests and create value for security holders by ensuring, a reasonable proportion of senior employees' remuneration is based on growth in total security holder returns ("TSR").
- Be fair and consistent.
- Manage total rewards with emphasis on the "at risk" element as a motivator for senior executives.

At present, the full board sits as the Remuneration and Nomination Committee. Executive directors do not participate in discussions relating to their own remuneration.

### Review of Remuneration Policy and Strategy

The Group expects to undertake a further review of remuneration policy in line with the economic conditions prevailing.

#### Non-executive directors

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

#### Executive directors and Key management personnel

Remuneration for the executive director includes a combination of fixed remuneration and performance related incentives that enable the Group to attract and retain suitable calibre personnel. Performance based rewards are linked to the achievement of strategic objectives and the creation of wealth for stapled security holders. The remuneration package for executive directors is determined by the Remuneration and Nomination Committee relative to the market.

The key management personnel of the Group for the financial year ended 30 June 2011 are the executive directors of the Group and those executives that report directly to the Managing Director being:

- Scott Payten – *Chief Operating Officer*
- Paulene Henderson – *Chief Financial Officer*

### Performance Appraisal System

A performance appraisal system is in place for all employees to ensure they are aware of what is expected of them through their personal objectives and the impact of their performance on their remuneration. Both managers and staff have been trained in the system's use. Ongoing support is readily available to managers and staff.

The Group's remuneration framework assesses performance against financial and personal criteria. These criteria vary from individual to individual depending on the executive's role. All criteria or objectives relate to the contribution the individual makes to the achievement of the Group's objective of optimising growth of earnings per security.

Performance is reviewed formally every six months and this appraisal is then used in the setting of remuneration levels for employees. The Remuneration and Nomination Committee and the Board review the performance of executive directors and key management personnel.

## 29 Remuneration report continued.

### Remuneration Strategy for the executive Director and key management personnel

#### Remuneration Mix

Remuneration packages within the Group's Remuneration Framework comprise:

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

The chart below shows the mix between TFR, STI and LTI for the executive Directors and all Key Management Personnel for the financial years ending 30 June 2011 and 2010.

<b>COMPONENT(S) TOTAL REMUNERATION PACKAGE</b>						
	<b>TFR</b>		<b>STI – AT RISK</b>		<b>LTI</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Executive Directors</b>						
J Potter	100%	-	-	-	-	-
G Farrands <sup>+</sup>	75%	99%	25%	-	-	1%
R Bosiljevac <sup>+</sup>	100%	99%	-	-	-	1%
<b>Other Key management personnel of the Group</b>						
S Payten	70%	95%	8%	-	22%	5%
P Henderson	82%	100%	9%	-	9%	-
L Kelly <sup>+</sup>	-	100%	-	-	-	-

<sup>+</sup> Left the Group during the financial year ended 30 June 2011

Under the current reward strategy a target for STI is calculated as a percentage of TFR. Actual STI awards can range from 0% of TFR to in excess of 100% of TFR for outstanding performance. Any awards of STI over 100% of TFR must be approved by the Board on the recommendation of the Remuneration and Nomination Committee.

Approval of STI awards for the executive directors is by the Board on recommendation of the Remuneration and Nomination Committee. The Board also approves an overall budget for the key management personnel and the Managing Director and Chief Executive Officer approves individual STI awards for each key management personnel within that budget.

#### Long Term Incentives

Long term incentives exist by way of implied options in contracts of employment, the details of which are disclosed under the share-based payments disclosure section.

#### Termination benefits

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

## 29 Remuneration report continued.

### Service Agreements

#### Non-Executive Directors

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

#### Executive director and key management personnel

Remuneration and other terms of employment for the Managing Director and key management personnel are also formalised in service agreements. Other major provisions of the agreements for the year ended 30 June 2011 relating to remuneration are set out in the table below:

	Base fee inclusive of superannuation	Term of agreement	Notice Period	Review Period	Anticipated annual cash bonus as proportion of base salary depending on corporate and individual performance	Annual equity grant as a proportion of base salary	Retention incentives shares
	\$						
<b>Executive Directors</b>							
J Potter	600,000	31/01/2014	3 months	Fixed	-	-	-
G Farrands*	500,000	31/03/2011	3 months	N/A	87.5%	-	-
R Bosiljevac*	187,250	Rolling	1 month	Annual	-	-	-
<b>Key Management Personnel</b>							
S Payten	377,500	Rolling	3 months	Annual	25.0%	-	-
P Henderson	218,500	Rolling	3 months	Annual	15.0%	-	-

\* Left the Group during the financial year ended 30 June 2011

### Remuneration – Non-Executive Directors

#### Villa World Group's Policy

The Remuneration and Nomination Committee makes recommendations to the Board concerning the remuneration and remuneration structure for non-executive Directors.

Non-executive Director remuneration comprises two main elements:

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

There is no difference in workload between non-executive Directors mainly because there are no committee fees paid over and above the main Board fees and all directors are on all committees.

Non-executive Directors are not entitled to any retirement benefits, other than their superannuation contributions.

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

External independent advice of reasonable remuneration for non-executive Directors will be sought at least every three years.

#### Review Arrangements

The Board has previously sought and received security holder approval for the maximum aggregate Board and Committee fees payable to non-executive Directors of \$600,000.

The total of Directors' fees paid to non-executive Directors for the year ended 30 June 2011 was \$132,912 (30 June 2010: \$183,120).

No Directors' fees are paid to the executive Directors whilst engaged in the role of Executive Director.

Non-Executive Directors have waived all Committee Fees.

## 29 Remuneration report continued.

### Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 "Related Party Disclosures") and the five highest paid executives of Villa World Group are detailed below.

#### Details of remuneration earned or paid during the year ended 30 June 2011

	Short term employee benefits		Post employment benefits	Long term benefits	Share based payments			Total	
	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	Termination benefits	Employee share scheme		Share based bonus
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2011</b>									
<i>Non-executive directors</i>									
R Anderson	60,000	-	-	5,400	-	-	-	-	65,400
A Baw den*	18,000	-	-	1,620	-	-	-	-	19,620
T Harry	34,938	-	-	3,144	-	-	-	-	38,082
A Beard+	9,810	-	-	-	-	-	-	-	9,810
<b>Subtotal non-executive directors</b>	<b>122,748</b>	<b>-</b>	<b>-</b>	<b>10,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,912</b>
<i>Executive directors</i>									
G Farrands * ^ **	418,134	437,500	198,529	15,199	-	655,000	-	-	1,724,362
R Bosiljevac	59,055	-	-	3,788	-	36,171	-	-	99,014
J Potter (appointed executive director 1 February 2011 previously non-executive director) ^	264,667	-	-	12,749	-	-	-	-	277,416
<b>Subtotal executive directors</b>	<b>741,856</b>	<b>437,500</b>	<b>198,529</b>	<b>31,736</b>	<b>-</b>	<b>691,171</b>	<b>-</b>	<b>-</b>	<b>2,100,792</b>
<i>Other key management personnel (Group)</i>									
S Payten ^	358,167	87,500	-	15,199	7,141	-	-	117,311	585,318
P Henderson ^	194,418	24,369	-	15,199	3,487	-	-	23,462	260,935
<b>Subtotal key management personnel</b>	<b>552,585</b>	<b>111,869</b>	<b>-</b>	<b>30,398</b>	<b>10,628</b>	<b>-</b>	<b>-</b>	<b>140,773</b>	<b>846,253</b>
<b>Total</b>	<b>1,417,189</b>	<b>549,369</b>	<b>198,529</b>	<b>72,298</b>	<b>10,628</b>	<b>691,171</b>	<b>-</b>	<b>140,773</b>	<b>3,079,957</b>

\* Left the Group during the financial year ended 30 June 2011.

\*\* On 5 August 2009, G Farrands varied his contract terms and accepted a reduction of \$300,000 in his fixed remuneration. In addition, during the financial year ended 30 June 2009, G Farrands waived his contractual right to receive a \$400,000 bonus.

+ Was appointed as a Director on 11 April 2011. Alexander Beard is the Managing Director of CVC Limited and his Directors fees are paid to CVC Managers Pty Ltd.

^ Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

## 29 Remuneration report continued.

Details of remuneration earned or paid during the year ended 30 June 2010

	Short term employee benefits			Post employment benefits	Long term benefits	Share based payments			Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Super- annuation	Long service leave	Termination benefits	Employee share scheme	Share based bonus	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2010</b>									
<i>Non-executive directors</i>									
R Anderson	60,000	-	-	5,400	-	-	-	-	65,400
A Baw den	-	-	-	39,240	-	-	-	-	39,240
T Harry	24,000	-	-	15,240	-	-	-	-	39,240
J Potter	36,000	-	-	3,240	-	-	-	-	39,240
<b>Subtotal non-executive directors</b>	<b>120,000</b>	<b>-</b>	<b>-</b>	<b>63,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,120</b>
<i>Executive directors</i>									
G Farrands ^	514,000	-	-	14,461	3,787	-	294	-	532,542
R Bosiljevac ^	173,074	-	-	14,461	2,085	-	294	-	189,914
<b>Subtotal executive directors</b>	<b>687,074</b>	<b>-</b>	<b>-</b>	<b>28,922</b>	<b>5,872</b>	<b>-</b>	<b>588</b>	<b>-</b>	<b>722,456</b>
<i>Other key management personnel (Group)</i>									
S Payten ^	350,000	-	-	14,461	17,479	-	294	-	382,234
P Henderson +^	38,709	-	-	3,484	-	-	-	-	42,193
L Kelly *^	233,851	-	-	12,987	-	-	-	-	246,838
<b>Subtotal key management personnel</b>	<b>622,560</b>	<b>-</b>	<b>-</b>	<b>30,932</b>	<b>17,479</b>	<b>-</b>	<b>294</b>	<b>-</b>	<b>671,265</b>
<b>Total</b>	<b>1,429,634</b>	<b>-</b>	<b>-</b>	<b>122,974</b>	<b>23,351</b>	<b>-</b>	<b>882</b>	<b>-</b>	<b>1,576,841</b>

\* Left the Group during the financial year ended 30 June 2010.

+ Re-joined the Group on 13 April 2010.

^ Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

## 29 Remuneration report continued.

### Share-based payments

#### Employee share scheme

A scheme under which securities may be issued by the Group to employees for no cash consideration was approved by the Board on February 2008. All Australian resident permanent employees are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

On 31 July 2008, GEO Planning Pty Ltd as trustee for the GEO Property Group Employee Plan Trust was formed to administer the employee securities scheme. GEO Planning Pty Ltd has been consolidated in accordance with Note 1(c).

Under the scheme, eligible employees may be granted up to \$1,000 worth of fully paid ordinary securities in Villa World Group for no cash consideration.

Securities issued by the trust to the employees were acquired on-market prior to the issue. Securities held by the trust and not yet issued to employees at the reporting date are shown as treasury securities in the consolidated financial report, see note 24.

For the vesting criteria to be met, the employee must have been an employee of Villa World Group for at least one year from the date the rights were granted. The securities were granted to employees on 25 November 2008. The securities vested 25 November 2009.

	Number of securities granted 2011	Number of securities vested 2011	Number of securities granted 2010	Number of securities vested 2010
<b>Non-executive directors</b>				
R Anderson	-	-	-	-
A Baw den*	-	-	-	-
T Harry	-	-	-	-
A Beard**	-	-	-	-
<b>Subtotal non-executive directors</b>	-	-	-	-
<b>Executive directors</b>				
G Farrands*	-	-	-	3,800
R Bosiljevac*	-	-	-	3,800
J Potter (appointed 1 February 2011)	-	-	-	-
<b>Subtotal executive directors</b>	-	-	-	<b>7,600</b>
<b>Other key management personnel of the group</b>				
S Payten	-	-	-	3,800
P Henderson	-	-	-	-
L. Kelly <sup>+</sup>	-	-	-	-
<b>Subtotal key management personnel</b>	-	-	-	<b>3,800</b>
<b>Total</b>	-	-	-	<b>11,400</b>

\* Resigned as a Director during the financial year 30 June 2011

\*\* Was appointed as a Director during the financial year ended 30 June 2011

+ Left the group during the financial year ended 30 June 2010

## 29 Remuneration report continued.

### Employee bonus plan

The employment contracts of Scott Payten and Paulene Henderson provide for a guaranteed cash bonus (no Board discretion) calculated as follows:

- (a) In the event of a change of control of the Company, a bonus equal to the price paid for Villa World Group securities less \$1.00 (\$0.20 on a pre security consolidation basis) multiplied by the applicable number to be paid within 30 days of the change of control taking effect.

Price Paid means:

- (i) the mean price paid by the purchaser of the controlling interest in the 12 months prior to the change of Control; or  
(ii) the nominated price under a scheme of arrangement, whichever is the greater.

- (b) If a change of control has not occurred by 1 November 2012, a bonus equal to the Volume Weighted Average Price paid for each Villa World Group security for the 10 trading days prior to 1 November 2012 less \$1.00 (\$0.20 on a pre security consolidation basis) multiplied by the applicable number will be paid by 30 November 2013.

The characteristics of these bonuses indicate that they are cash settled payments and are accounted for in line with AASB 2 "Share based payments" as a cash settled share based payment transaction.

The applicable multiple for Scott Payten is 1,000,000 (approved 16 December 2009) and for Paulene Henderson, 200,000 (approved on 15 November 2010).

The bonuses are designed to provide long-term incentives for senior managers to deliver long-term security holder returns.

The bonus arrangement carries no dividend or voting rights in respect of shares.

The assessed fair value at grant date of these bonuses at the year ended 30 June 2011 was 11.75 cents per security. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

### Expenses arising from share-based payments

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

	2011	2010
	\$	\$
Fair value of embedded options for key management personnel	140,773	-
Options issued under employee share plan	-	16,939
	<b>140,773</b>	<b>16,939</b>

### Consequences of performance on security holder wealth

In considering the Group's performance and benefits for security holder wealth, the remuneration committee have regard to the following indices in respect of the current and previous financial years:

Performance KPI	FY09	FY10	FY11
	\$m	\$m	\$m
Revenue	212.9	272.2	110.8
Operating Profit	22.7	21.1	9.6
Assets Held for Sale	72.5	31.2	7.9
Debt	145.7	93.1	62.4
Gearing Ratio*	37.0%	24.3%	23.5%
NTA per security^ (cents)	158.0	174.3	178.1

\* Gearing: interest bearing liabilities less cash / total assets

^ Note corporate restructure occurred between FY08 & FY09

In addition to the above financial metrics the remuneration committee has also considered that the Group has undergone a transformation since the onset of the global financial crisis with a focus on de-leveraging and a capital realisation program. Therefore, other matters have also been considered in the overall remuneration of executives which has been reflected in termination payments, including:

- A voluntary reduction in the remuneration packages (Guy Farrands) during the period of the Global Financial Crisis.
- Achieving debt reduction objectives
- Achieving asset sale objectives
- Debt facility negotiations and funding terms

### 30 Contingencies

**(a) Details and estimates of contingent liabilities are as follows:**

The Group has provided bank guarantees to the total of \$6.1 million (30 June 2010: \$8.3 million) to authorities and councils in relation to certain works to be undertaken or maintained or in support of contractual commitments.

**(b) Estimates of material amounts of contingent liabilities not provided for in the financial report:**

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

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

*Assignment of contractual rights*

The Company has assigned its contractual rights in a community development project to a syndicate of private investors. This property was purchased by the Group in December 2006 on a five year vendor's terms contract of sale. The purchase was subject to strict confidentiality provisions that limit disclosure and accordingly the Group cannot identify the project.

As a result of this sale:

The Group no longer has the obligation to pay the remaining money owing under the vendors terms contract of sale (\$34 million) unless the purchaser defaults in its payments to the vendor. In that case the Group will be entitled to repossess the land on payment of the amount outstanding.

*Home warranty claim - Thornleigh*

A claim has been made against the Group in respect of damages regarding project development defects. This was disclosed in detail in the annual report for the year ended 30 June 2010.

The proceedings concern a development in Thornleigh, NSW, known as Wild Ash Grove. The plaintiff claims damages, interest and costs of approximately \$4.0 million plus hydraulic works and roadwork repairs that have yet to be quantified. The plaintiff has particularised its loss claimed against the Defendants as the cost of rectifying alleged defects in respect of, or the diminution in value of the development. The Group has filed a defence in the proceedings.

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

Group entities have provided guarantees in respect of facilities for advances to other entities, including joint venture partners, as part of a development project in Victoria. The special conditions of the debt facility limit the maximum principal amount recoverable from Villa World to 50% of the principal outstanding debt under the facility. As at 30 June 2011, the debt was drawn to \$31.8 million and \$1.4 million of bank guarantees were issued (30 June 2010: \$38.1 million and \$0.2 bank guarantees).

### 31 Commitments

**(a) Capital commitments**

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

The put option gives GEO Developments Pty Ltd (or a third party) the option to purchase the lot(s) at a nominated price by a sunset date. The call option gives the vendor the right to sell to GEO at a nominated price on expiry of the put option sunset date. The potential total commitments under the agreements are \$61 million. The commitments are crystallized on registration of the land by the vendor and will be made available on a stage by stage basis. However, the Agreements are severable by development stage and the commitments may be less than the total commitments under the Agreements as outlined above.

At reporting date, registration has taken place for a portion of lots within one of the developments and crystallized GEO's commitment of \$7 million.

**(b) Lease commitments**

	2011	2010
	\$'000	\$'000
<i>Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable</i>		
Within one year	265	492
Later than one year but not later than five years	-	135
	<b>265</b>	<b>627</b>

## 32 Related party transactions

### Parent entity

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

### Subsidiaries

Interests in subsidiaries are set out in note 33.

### Transactions with related parties

Disclosures to key management personnel are set out in note 28.

	Consolidated	
	2011	2010
Responsible entity fees*	(48,392)	(140,428)

\* Responsible entity fees paid by Villa World Trust to Villa World Management Limited.  
Fees are eliminated on Group Consolidation

### Loans to / from related parties

	Note	Consolidated	
		2011 \$'000	2010 \$'000
<b>Loans to joint ventures</b>			
Balance at the beginning of the year		21,802	11,356
Advances		-	11,845
Repayments		(137)	(50)
Changes to provision for doubtful debts		5,270	(1,349)
Equity contribution to joint venture		192	-
<b>Balance at the end of the year</b>		<b>27,128</b>	<b>21,802</b>
<b>Loans from joint ventures</b>			
Balance at the beginning of the year		4,808	6,942
Advances		-	3,542
Repayments		(4,237)	(5,676)
<b>Balance at the end of the year</b>		<b>571</b>	<b>4,808</b>
<b>Net balance at the end of the year</b>		<b>26,557</b>	<b>16,995</b>
<b>Loans to/from joint ventures</b>			
Loans to joint ventures - current asset	14	6,720	6,857
Loans to joint ventures - non- current asset	14	26,255	26,063
Provision for impairment loss	14	(5,847)	(11,117)
<b>Net loans to joint ventures</b>		<b>27,128</b>	<b>21,803</b>
Loans from joint ventures - current liability		(571)	(4,808)
<b>Net balance at the end of the year</b>		<b>26,557</b>	<b>16,995</b>

The outstanding balances are unsecured and are repayable in cash.

### 33 Subsidiaries

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

Name of Entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
<b>Parent entity</b>				
Villa World Trust (previously GEO Property Trust)				
<b>Controlled entities</b>				
Villa World Limited (previously GEO Property Group Limited)	Australia	Ordinary	100	100
GEO Developments Pty Ltd	Australia	Ordinary	100	100
Villa World Management Limited (previously GEO Management Limited)	Australia	Ordinary	100	100
GEO Planning Pty Ltd	Australia	Ordinary	100	100
GEO Realty Pty Ltd	Australia	Ordinary	100	100
GEO (Vic) Pty Ltd	Australia	Ordinary	100	100
GPDQ Pty Ltd	Australia	Ordinary	100	100
Hervey Bay (JV) Pty Ltd	Australia	Ordinary	100	100
GEO Administration Pty Ltd*	Australia	Ordinary	100	100
GPG Finance Pty Ltd*	Australia	Ordinary	100	100
Hendon Park Developments Pty Ltd*	Australia	Ordinary	100	100
GEO Communities Pty Ltd^	Australia	Ordinary	-	100
Landmark Diversified Portfolio No.7 Syndicate^	Australia	Ordinary	-	100
GEO Property Group Performance Rights Plan Trust	Australia	Ordinary	100	100
GEO Property Group Employee Plan Trust	Australia	Ordinary	100	100

\* these entities are currently dormant

^ deregistered 5th August 2010

### 34 Interests in joint ventures

The Group has the following interests in jointly controlled entities:

Name of Entity	% Owned	Purpose
Eynesbury Holdings Pty Ltd	50	The owner of the Eynesbury Development Joint Venture Land, Victoria.
Eynesbury Pastoral Trust	50	The owner of the Eynesbury Development Joint Venture Land, Victoria.
Eynesbury Golf Pty Ltd	50	The operation of the golf course and homestead hospitality facilities at Eynesbury, Victoria.
Eynesbury Joint Venture <sup>1</sup>	50	Residential development at Eynesbury, Victoria.
Expression Homes Pty Ltd	50	Residential development and construction projects primarily in Victoria.
Cornell's Hill Pty Ltd	50	Residential development in Doreen, Victoria.
Cotton Ventures Pty Ltd	50	Residential development in Mt Cotton, Queensland.

<sup>1</sup>During the current year, the Eynesbury Development Joint Venture ("the JV") operations were re-assessed and concluded that the JV is in practice as a jointly controlled entity - refer to note 2 for re-statement of comparative amounts.

The interests in these joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting.

The carrying amounts of these joint venture interests at balance date were:

	2011 \$'000	2010 \$'000
<b>Carrying value of the joint venture interests</b>		
Eynesbury Pastoral Trust	7,073	6,088
Eynesbury Joint Venture	522	-
Cornell's Hill Pty Ltd	1,231	818
Cotton Ventures Pty Ltd	189	176
	<b>9,015</b>	<b>7,082</b>

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

Current assets	63,866	57,045
Non-current assets	33,505	30,949
<b>Total assets</b>	<b>97,371</b>	<b>87,994</b>

Current liabilities	36,098	43,371
Non-current liabilities	44,405	39,696
<b>Total liabilities</b>	<b>80,503</b>	<b>83,067</b>

<b>Net assets</b>	<b>16,868</b>	<b>4,927</b>
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#### Villa World's aggregate share of joint ventures' revenue, expenses and results

Revenues	37,036	21,120
Expenses	34,495	21,155
<b>Profit / (loss) before income tax</b>	<b>2,541</b>	<b>(35)</b>

#### Villa World's aggregate share of joint ventures' capital commitments

<b>Capital commitments</b>	<b>-</b>	<b>-</b>
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#### Villa World's aggregate share of joint ventures' contingent liabilities

<b>Bank guarantees</b>	<b>3,207</b>	<b>2,191</b>
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### 34 Interests in joint ventures continued.

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

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

### 35 Events subsequent to balance date

The following events occurred subsequent to 30 June 2011:

#### (a) Securities Consolidation

At the General Meeting (GM) of 30 June 2011 a consolidation of the securities capital was approved by members whereby the company's securities will be consolidated on a 1 for 5 basis. Security consolidation was effected on 11 July 2011 with securities trading on a post-consolidation basis on the Australian Stock Exchange (ASX) from 18 July 2011.

#### (b) Employee Options

At the same GM the members approved a resolution to issue a total of 2.8 million (14 million pre 1 for 5 security consolidation) employee options and as detailed below. The Board also advised their intention to issue a further 400,000 employee options to a Group Executive.

Holder	Position	No. of Options	Expiry Date
John Potter	Managing Director	2,800,000 (14,000,000*)	28 February 2014
Barry Cronin	Group Executive	400,000 (2,000,000*)	28 February 2014

\*pre 1 for 5 security consolidation

The financial effects of the above option issue have not been brought to account as at 30 June 2011. It is anticipated that the options will be granted in November 2011.

Except for the items discussed above, no matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

#### (c) On-market buy-back

Subsequent to year end there is now a current on-market buy-back. Financial impacts cannot be estimated until the on-market buy-back has been completed.

Other than the events stated above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Profit/(loss) for the year</b>	<b>13,485</b>	<b>18,243</b>
Depreciation and amortisation	314	898
Capitalised interest & fees	(806)	6,692
Borrowing costs	1,255	347
Net (gain)/loss on disposal of investment properties	(3,023)	(637)
Net (gain)/loss in fair value of investment properties and other assets	1,648	3,310
Net (gain)/loss in fair value of investments	-	1,508
Gain on acquisition of subsidiary	-	(3,252)
Share of (gain)/loss from associate	(1,933)	309
Impairment of financial assets/liabilities	100	382
Hedge ineffectiveness on interest rate swaps	(105)	440
Impairment of receivables	(5,654)	3,084
(Increase)/decrease in trade debtors	31,243	(6,805)
Decrease/(increase) in inventories	(18,812)	53,359
Increase/(decrease) in payables	(8,955)	5,582
Decrease/(increase) in net deferred tax assets	2,557	(4,158)
Decrease/(increase) in other operating assets and liabilities	(749)	(886)
Increase/(decrease) in other provisions	146	-
<b>Net cash inflow from operating activities</b>	<b>10,711</b>	<b>78,416</b>

### 37 Share-based payments

#### (a) Employee share scheme

A scheme under which securities may be issued by the Group to employees for no cash consideration was approved by the Board on February 2008. All Australian resident permanent employees are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

On 31 July 2008, GEO Planning Pty Ltd as trustee for GEO Group Employee Plan Trust was formed to administer the employee securities scheme. GEO Planning Pty Ltd has been consolidated in accordance with Note 1(c)

Under the scheme, eligible employees may be granted up to \$1,000 worth of fully paid ordinary Villa World Group securities for no cash consideration.

Securities issued by the trust to the employees are acquired on-market prior to the issue. Securities held by the trust and not yet issued to employees at the reporting date are shown as treasury securities in the consolidated financial report, see note 24.

For the vesting criteria to be met, the employee must be an employee of Villa World Group for at least one year from the date the rights were granted.

#### (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 expenses were as follows:

	2011	2010
	\$	\$
Fair value of embedded options for key management personnel	140,773	-
Options issued under employee share plan	-	16,939
	<b>140,773</b>	<b>16,939</b>

**Villa World Trust**  
**Directors' Declaration**  
**30 June 2011**

In the opinion of the Directors of Villa World Management Limited, the Responsible Entity of Villa World Trust ("the Trust"),

- (a) the financial statements and notes, set out on pages 22 to 73 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 2011 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that Villa World Group will be able to pay its debts as and when they become due and payable.

Note 1(a) 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 Managing Director and Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors of the Responsible Entity, Villa World Management Limited.

Dated at Bundall this 24th day of August 2011



**John Potter**  
**Managing Director**



## **Independent auditor's report to the security holders of Villa World Property Group (previously Geo Property Group)**

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

We have audited the accompanying financial report of Villa World Trust (the Trust), which comprises the consolidated balance sheet as at 30 June 2011, and the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Villa World Property Group (the Group). The Group comprises the Trust and Villa World Limited (previously GEO Property Group Limited) and the entities they 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 Villa World Management Limited (previously GEO Management Limited), as the responsible entity for the trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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## Independent auditor's report to the security holders of Villa World Property Group (previously Geo Property Group) continued.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Villa World Group is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Trust and Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

Timothy J Allman  
Partner

Brisbane  
24 August 2011

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## ASX Additional Information

Additional information required by the Australian Securities Exchange Limited listing rules and not disclosed elsewhere in this report is set out below.

### Security holdings (as at 22 August 2011)

#### Substantial security holders

The following holdings were listed in the register of substantial security holders:

	<u>No of securities held</u>
<b>Substantial security holders*</b>	
CVC Limited (as advised on 3 March 2011)	11,325,766
John Leaver (as advised on 12 April 2010)	5,641,347
Renaissance Property Securities Limited (as advised on 25 May 2011)	5,316,688

\* Securities based on 1 for 5 consolidation

### On-market buy-back

The Group announced on 28 June 2011 of an on-market one for one security buy-back up to 10% of its present issued capital. The buy-back period commenced on 14 July 2011 and will finish no later than 12 months from that date.

### Distribution of security holders (as at 22 August 2011)

	<u># of security holders</u>
<b>Distribution of security holders</b>	
<i>Category</i>	
1 - 1,000	1,582
1,001 - 5,000	2,172
5,001 - 10,000	537
10,001 - 100,000	667
100,001 and over	70
<b>Total</b>	<b>5,028</b>

The total number of security holders with less than a marketable parcel of 603 securities is 909.

### Classes of units and voting rights

At 30 June 2011 there were 5,119 stapled security holders (30 June 2010: 5,228). The voting rights attaching to the securities, as set out in section 253C of the Corporations Act are:

- Subject to any rights or restrictions for the time being attached to any class or classes of security:
  - (a) At an adjourned meeting the Holders with voting rights who are present either in person or by proxy constitute a quorum and are entitled to pass the resolution; and
  - (b) on a show of hands every person present who is a security holder has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each stapled security held.

## Twenty largest security holders (as at 22 August 2011)

	# of securities held	Percentage of capital held
<b>20 largest security holders (as at 22 August 2011)</b>		
<b>Name</b>		
CVC LIMITED	11,325,766	13.99
ALBATROSS INVESTMENTS (NO 1) PTY LTD <CITIE CENTRE INV (NO 1) A/C>	3,908,918	4.83
LEAGOU FUNDS MANAGEMENT PTY LIMITED	3,482,711	4.30
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,938,004	3.63
ALBATROSS INVESTMENTS (NO 1) PTY LTD <POTTER FAMILY S/F A/C>	2,145,820	2.65
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,087,343	2.58
BAWDEN CUSTODIANS PTY LTD <TERTON CORP P/L S/F A/C>	2,000,000	2.47
MR MALCOLM JOHN ROSS + MRS JUNE ROSS	1,839,882	2.27
NATIONAL NOMINEES LIMITED	1,690,278	2.09
WENOLA PTY LIMITED <PENSION FUND A/C>	1,313,300	1.62
L J K NOMINEES PTY LTD <PENSION FUND A/C>	1,000,000	1.23
IRSS NOMINEES (22) LIMITED	979,000	1.21
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	852,837	1.05
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	728,157	0.90
ABACUS GROUP HOLDINGS LIMITED	717,086	0.89
CHARANDA NOMINEE COMPANY PTY LTD <GREY CLIFFE SUPER FUND A/C>	700,000	0.86
LEITHNER & COMPANY PTY LTD	600,000	0.74
MR RICHARD SCHEINBERG	560,000	0.69
TRACIE'S FUTURE PTY LTD	503,370	0.62
MR DONALD MACMILLAN + MRS SHARON LEE MACMILLAN	500,000	0.62
	<b>39,872,472</b>	<b>49.24</b>



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