



Villa World Limited (Company) ABN 38 117 546 326
Villa World Trust (Trust) ARSN 104 482 206
Villa World Management Limited ABN 77 116 506 882 AFSL 304866
ASX Code: VLW

22 November 2011

ASX Announcement

ANNUAL GENERAL MEETING – ADDRESSES

Please find attached addresses to shareholders to be delivered by the Chairman and the Managing Director at Villa World Group's Annual General Meeting ("AGM") today.

The results of the meetings will be communicated to the market shortly after the conclusion of the AGM.

Enquiries to:

Louse Edwards
Company Secretary
Villa World Limited
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Annual General Meeting of members of
Villa World Limited and Villa World Trust (Villa World Group)
Speeches by Richard Anderson, Chairman
And
John Potter, Managing Director

Chairman's Address

[SLIDE 4 – HIGHLIGHTS AND LOOKING FORWARD]

I would now like to provide some comments on our performance over the last 12 months, and the outlook for the current financial year.

Following several years of deleveraging via the sale of non-core investment assets, Villa World is now focussed solely on the development of affordable land only and house and land products in Melbourne and south east Queensland.

For the 2011 year, the Villa World Group produced a pleasing net profit after tax of \$13.5 million. However, it should be noted this profit was assisted by some non-recurring items.

Total distributions for the year were 1.0 cent per security in the old terms, or the equivalent of 5 cents per security on a post security consolidation basis. We did not pay a final distribution as we had a compelling alternative use for these funds. I will talk more about this later.

Revenue from continuing operations in the 2011 year was \$112 million, which was down from \$258.5 million in the 2010 year. The significant revenue decrease compared to the previous year can be attributed to a number of factors including: accelerated sales in 2010 to clear inventory and reduce debt, timing differences in relation to accounting and physical sales due to weather conditions and registration delays particularly at the Cascades project.

[SLIDE 5 – CAPITAL MANAGEMENT]

Throughout the year, we continued to manage the group's gearing at sensible and sustainable levels. The gearing ratio at 30 June 2011 was 23.5% (compared to 27.3% in 2010). Our modest levels of gearing place the Villa World group in an excellent position to maximise the value per security in the year ahead, whether this be by acquiring new projects, buying back our own securities or a combination of both.

Following the payment of an interim distribution earlier in the year, the board decided not to pay a final distribution. Instead, these funds were applied to an on-market buy-back which Villa World commenced in July. The board did not make the decision to suspend the final distribution lightly. However, with the group's securities trading at less than 45% of their stated net tangible asset backing, the board considers that a buy-back is the most appropriate use of the group's capital at this time. The buy-back is value accretive for remaining security holders and has already provided a material uplift to the group's NTA per security.

During the 2011 year we sold a further two non-core investment properties for total consideration of \$24.1 million. This leaves just one remaining non-core investment property with a book value of \$7.4 million. It is our goal to sell this property in the current financial year.

[SLIDE 6 – BUSINESS UPDATE]

Now, turning to the outlook for the current financial year. The nature of our business means that our success is closely linked to the prevailing housing market conditions to which all residential developers are subject. Since the beginning of the current financial year, conditions in the Victorian market have deteriorated significantly and this market has become

very challenging. Both of our Victorian projects have also suffered production delays due to wet weather throughout 2011.

On a more positive note, since late August we have noticed signs of a positive shift in sentiment in the Queensland market. Queensland had previously been soft as a result of the string of natural disasters in Queensland, increased cost of living pressures, interest rate uncertainty and poor global economic sentiment. The Queensland Government's \$10,000 building boost grant, available to anyone building or buying a new home in Queensland under \$600,000 between 1 August 2011 and 31 January 2012, has improved sentiment and activity in this market.

Overall, we have made a pleasing start to the current financial year with completed or contracted revenue of \$115 million (including our proportionate share of JV revenue) as at 31 October 2011. At this stage, we are expecting our net profit after tax for the half year to 31 December 2011 to be in a range of \$7.1 - \$8.5 million (which includes a tax credit of \$2.9 million arising from the corporatisation of the trust). At an operating level, we are expecting a pre-tax operating profit of \$8.4 - \$10.4 million, which compares to \$4.5 million for the previous corresponding period.

Finally, I wish to advise that this will be my last AGM as Chairman of Villa World. I will retire from the position of Chairman at the completion of this meeting, but will continue as an independent non-executive director. Since assuming the role of Chairman in January 2008 the Group has navigated its way out of considerable difficulty to be now in a strong financial position with a bright future. I greatly appreciate security holders' support throughout that time. Sandy Beard will take on the role of Chairman of the Board.

I will now hand over to John Potter to deliver the Managing Director's Report.

Managing Director's Address

Thank you Richard and good morning ladies and gentlemen.

[SLIDE 8 – MARKET OUTLOOK]

Despite challenging housing market conditions, Villa World remained profitable in the 2011 financial year and ended the year in a strong position. Importantly, Villa World commenced the 2012 year with sales contracts over 358 lots worth \$74.7 million and we had an inventory of 5,150 lots. We survived the GFC and are in this enviable position today thanks to the strength of our core business of developing affordable land only and house and land product. Villa World has operated successfully in this market segment for over 25 years and continues to be a market leader.

As Richard has already mentioned, market conditions in Victoria have deteriorated in recent months and we expect this market to be subdued for some time. However, we are encouraged by the Queensland market where we have seen signs of more positive sentiment in recent months. A key driver of demand for affordable housing is low interest rates and we saw the first official rate cut in Australia for more than two and a half years delivered by the RBA in early November. With the outlook for further rate cuts, and barring another global financial crisis, we are cautiously optimistic for the balance of the financial year.

Villa World's strong financial position provides us with the flexibility to pursue opportunistic acquisitions.

When I was appointed Managing Director in February this year, my plan was to make the following changes:

1. Change the name of the group from GEO to Villa World – which has been achieved;
2. Carry out a review of the business and implement cost reductions where necessary;

3. Consolidation of securities on a 1 for 5 basis – which has been achieved;
4. An on-market buy-back of securities, which has already seen a reduction in the number of securities on issue from 85.4 million to 79.5 million and has delivered a material uplift in the NTA per security. The buy-back is ongoing;
5. Unwinding of the stapled security structure to deliver a reduction in corporate complexity and associated costs. This process should be complete by 31 December this year;
6. Arrangement of more flexible debt facilities. We expect to have a new \$110 million 3 year debt facility in place by 31 December this year;
7. Relocation of head office which will occur in the next month; and
8. Maintaining a strong financial position to allow the Group to embark on the next leg of value creation for security holders.

There are two remaining steps to complete. The first is the destapling of the trust, which subject to security holder approval at today's meeting, will be completed in December. The second is the sale of the last remaining non-core investment property and it is our goal to sell this prior to the end of the financial year.

Finally, I would like to take this opportunity to thank Richard and the Board for their support and guidance throughout the year and our staff for another outstanding effort over the last 12 months.

I would also like to thank you, our securityholders, for your loyalty and ongoing support of the Villa World Group.

ENDS
