



Villa World Group 2012 Half Year Results

14 February 2012

www.villaworldgroup.com.au



INTRODUCTION

1HY12 Earnings and Cashflows

- Net profit after tax of \$6.4 million (1HY11: \$10.3 million)
- Earnings per share (EPS) of 8.0 cents (1HY11: 12.0 cents)
- Operating profit¹ of \$6.2 million (1HY11: \$4.5 million)
- Net positive operating cash flows of \$3.5 million
- Development and construction revenue of \$87.1 million (1HY11: \$62.6 million)

Strong Balance Sheet and Capital Management

- Net debt of \$63.5 million² as at 31 December 2011 (30 June 2011: \$56.5 million²)
- New \$110 million debt facility executed 13 December 2011, expires 1 September 2014
- Net gearing of 25.0%³ as at 31 December 2011. Look through gearing as at 31 December 2011 of 25.6%³
- NTA of \$1.94 per share (30 June 2011: \$1.78 per share)

Carried forward sales

- \$28.2m⁴ of Villa World sales contracts (102 lots) carried forward, and \$19.3m⁴ of sales contracts (113 lots)⁴ carried forward in joint ventures

Development Pipeline

- Well positioned to execute further opportunistic global land acquisitions as prices continue to soften

Dividend

- No interim dividend to be paid for 1HY12

1. Operating profit before tax, fair value adjustments, impairments/release of impairments and non-recurring items from discontinued operations
 2. Interest bearing liabilities less cash at bank, excludes bank guarantees
 3. (Interest bearing liabilities less cash)/(Total assets less cash)
 4. Represents gross sales price including GST and where applicable 50% proportional share of joint ventures which are equity accounted



CORPORATE UPDATE

Corporatisation

- In December 2011, Villa World completed its corporatisation process which simplified the corporate structure by converting from a stapled structure to a single holding company.
- The corporatisation process has not changed the underlying business, however, there is no need for a stapled structure, as the program to sell the Trust investment properties comes to an end.
- A simplified structure will have greater investor appeal, give Villa World improved flexibility to implement capital initiatives, simplify reporting requirements, and reduce administrative complexity and hence head office cost.

Share Buy-Back

- The group commenced an on-market Share Buy-Back on 14 July 2011.
- At the AGM, on 22 November 2011, a resolution refreshing the 10% buy-back limit was passed, allowing up to 7.94 million shares to be purchased, being approximately 10% of the Group's issued shares as at 14 October 2011.
- From 14 July 2011 to date¹, 6,915,858 shares have been purchased at an average price of \$0.83 per share (including brokerage).
- Of that, 956,230¹ shares have been purchased since 22 November 2011 at an average price of \$0.79 per share (including brokerage).
- As Villa World shares are trading at a deep discount to Villa World's NTA (\$1.94), The share buy back represents an efficient use of Villa World's capital, and is earning per share accretive.

1. As at 8 February 2012



RESULTS OVERVIEW

	Consolidated Entity	
	Half-year 31 Dec 2011	Half-year 31 Dec 2010
	\$'000	\$'000
Profit from continuing operations	5,945	7,014
Profit from discontinued operations	479	3,239
Total net profit after tax from continuing and discontinued operations	6,424	10,253
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Net (gain) / loss on sale of investment properties	-	(3,044)
Net (gain) / loss in fair value of investment properties	-	1,648
Impairment of development land	700	-
Hedge ineffectiveness on interest rate sw aps	216	(233)
Reversal of impairment of receivables	-	(5,285)
Sub total	916	(6,914)
Income tax benefit / (expense)	1,134	(1,127)
Sub total	(218)	(5,787)
Net operating profit before tax, fair value write- downs and impairments and non recurring one off discontinued operation expenses	6,206	4,466

- The financial results for the half year to 31 December 2011 was a statutory net profit after tax of \$6.4 million (8.0 cps)¹, compared to \$10.3 million (12.0 cps) at 31 December 2010. The results for the current half year do represent a stronger performance in the core underlying business as the prior year result included two one-off transactions, being the profit on sale of an investment property and the reversal of an impairment as shown in the adjacent table.
- The operating profit as shown in the adjacent table is \$6.2 million, representing 7.7 cps (31 December 2010: operating profit of \$4.5 million, 5.2 cps).
- Development and construction revenue of \$87.1 million (31 December 2010: \$62.6 million).
- Revenue was 37.7% higher in 1HFY12 than 1HFY11 this is primarily due to five stages in our Victorian Development, Cascades registering this period (sales contracts exchanged in prior periods), current good sales activity within our Queensland projects and various stages registering in our Queensland projects at Gladstone, Brisbane and Hervey Bay.

1. Cps based on weighted average outstanding shares – 80.6 million shares.

2. Operating profit before tax, fair value adjustment, impairments/release of impairments and non-recurring items from discontinued operations.



OPERATIONAL REVIEW

Performance	1HY12 Group	1HY11 Group	Key Drivers	Change
Sales (lots)	207	288	Projects in QLD, including the resource strong Gladstone market, have contributed positively to this statistic, however, the Victorian market continues to prove to be very challenging.	▼ 28%
Revenue - property sales (\$m)	87.1	62.6	Revenue 39% higher. 5 stages in Cascades Victoria registering (sales in prior period). Improved sales activity levels in Queensland in 1H12.	▲ 39%
Settlements (lots)	343	223		▲ 54%
Revenue - other (\$m)	1.9	6.1	Revenue generated this half from QLD based JV. In the prior period, revenue was generated from strongly performing Victorian JV's.	▼ 73%
Gross margin (\$m)	21.3	11.8	Margins low in previous year as non-core projects were sold.	▲ 81%
Margin (%)	24.5%	18.8%		▲ 30%
Mean rate of sale pcm	34.4	48.0		▼ 28%
Number of projects contributing to profit	11	12	11 projects contributing to profit in 1H12, including a new project Nudgee, Circa II. Other new projects, Park Vista and Brookside are expected to contribute to revenue in 2H12.	▼ 8%

1. Villa World's joint ventures include Eynesbury, Cornell's Hill and Cotton Ventures.



LOOK THROUGH BALANCE SHEET¹

As at 31 December 2011 (\$m) ¹	Group balance sheet	Look through adjustments	Consolidated look through
Assets			
Cash	4.9	7.0	11.9
Receivables	47.9	(10.9)	37.0
Inventories	175.0	40.5	215.5
Investment properties	7.4	-	7.4
Investments accounted for using the equity method	8.1	(8.1)	-
Other	15.2	2.7	17.9
Total Assets	258.4	31.2	289.7
Liabilities			
Trade and other payables	31.0	3.2	34.2
Interest bearing liabilities	68.4	14.5	82.9
Related party loans	-	15.8	15.8
Other	6.4	0.5	6.9
Total Liabilities	105.8	34.0	139.8
Net assets	152.7	(2.8)	149.9
Net tangible assets	152.7	(2.8)	149.9
Gearing (%) ²	25.0%		25.6%

1. This look through balance sheet removes the impact of equity accounting and proportionally consolidates the Group's interest in joint ventures.

2. $(\text{Interest bearing liabilities} - \text{Cash}) / (\text{Total assets} - \text{Cash})$



MARKET REVIEW

Queensland

- House and land sales in Villa World's Queensland markets continue to improve, due to a focus on affordability.
- A higher level of activity and price growth is being experienced in the Gladstone market.
- There is evidence of a gradual freeing up of the established home market. This should see local markets become more liquid.
- Villa World's Queensland operations will carry forward 55 lots sold worth \$17.7 million¹

Victoria

- Sales and price growth continued to soften in 1H12 compared to 2011.
- Over the last 6-9 months Victoria's previously strong population and migration growth has stalled.
- Consistent price growth over recent years has put pressure on affordability.
- Villa World's Victorian operations will carry forward 161 lots sold worth \$29.8 million¹



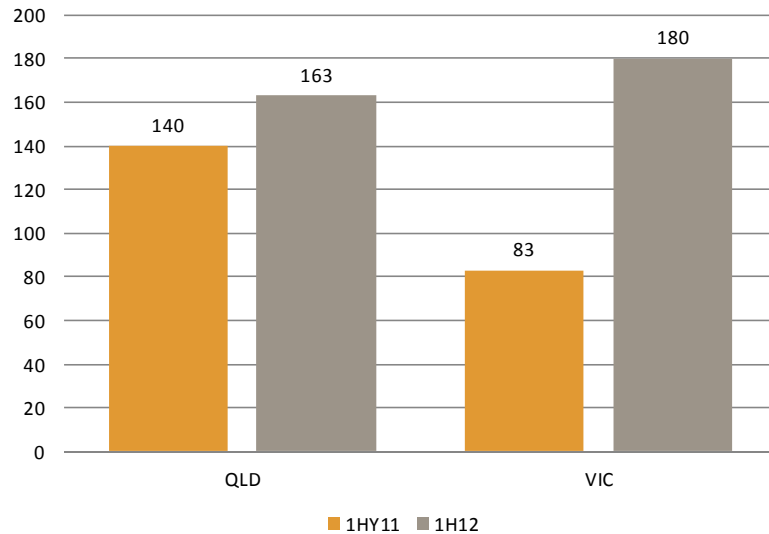
1. Represents gross sales price including GST and Villa World's 50% proportional share of joint ventures which are equity accounted



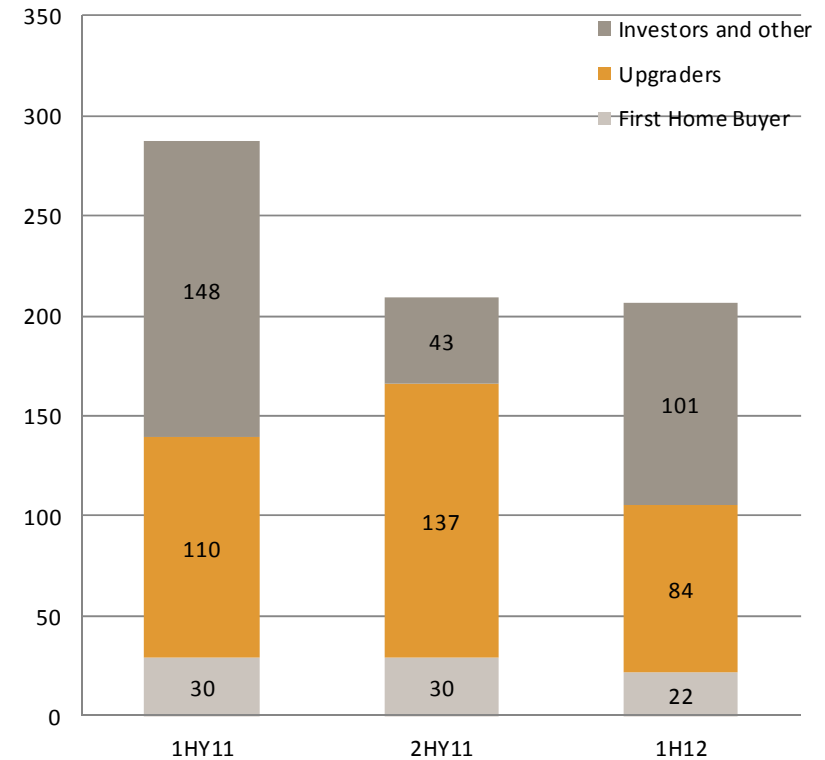
RESIDENTIAL COMMUNITIES

Performance	1HY12 Group	1HY11 Group	Change	
Revenue (\$m)	87.1	62.6	▲	39%
Gross margins (\$m)	21.3	11.8	▲	81%
Gross margins (%)	24.5%	18.8%	▲	30%
Lots settled (units)	343	223	▲	54%
Lots sold (units)	207	288	▼	28%

Accounting settlements by state



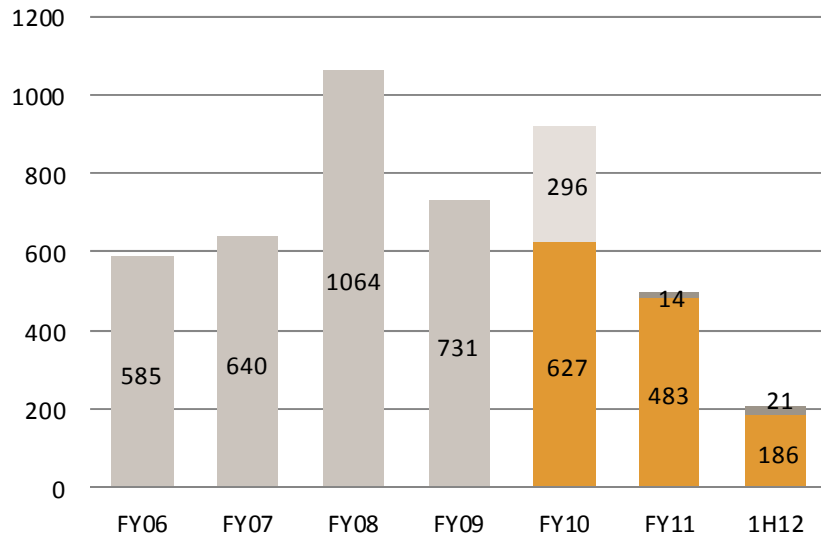
Buyer composition (sales)





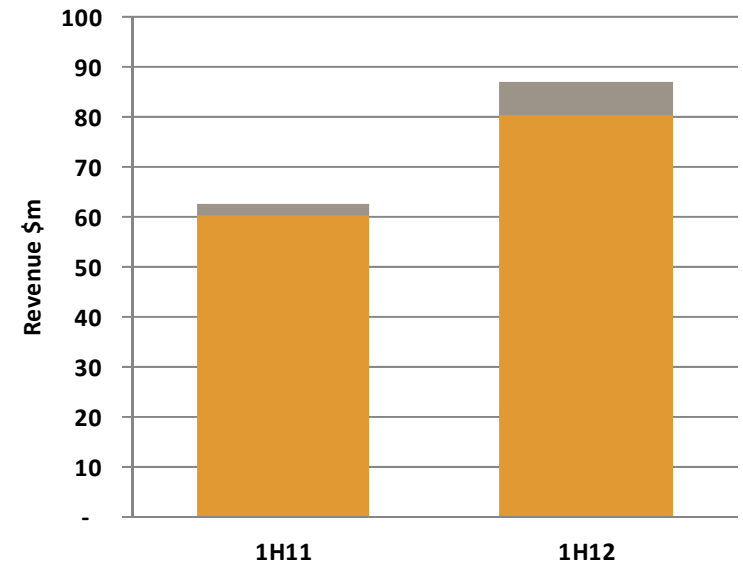
RESIDENTIAL COMMUNITIES

Historical lot sales



- Continuing projects FY10 to 1H12
- Prior period projects
- Completed projects in FY10
- New projects in current period

Revenue from new, continuing and completed projects



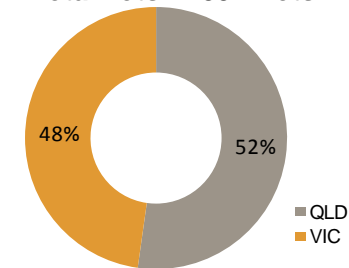
- New projects
- Completed projects
- Continuing projects



DEVELOPMENT PORTFOLIO

Project Type	%	Total Pipeline
Land Only	19%	953
House and Land	37%	1,836
Integrated Housing	3%	160
Joint Ventures ¹	40%	1,948
Total		4,897

Total Lots - 4897 Lots



Project Name	Location	Total Lots	Lots Remaining as at 31 Dec 2011	Contribute to FY12 profit	2012	2013	2014	2015	2016+
House and Land									
Augustus	QLD	764	653	✓					
Freshwater	QLD	342	1	✓					
Mt Cotton Village	QLD	536	325	✓					
Circa II	QLD	146	132	✓					
Brookside	QLD	107	107	✓					
Park Vista	QLD	482	482	✓					
Burpengary	QLD	136	136	✗					
Subtotal		2,513	1,836						

1. Villa World's 50% proportional share



DEVELOPMENT PORTFOLIO (continued)

Project Name	Location	Total Lots	Lots Remaining as at 31 Dec 2011	Contribute to FY12 profit	2012	2013	2014	2015	2016+
Integrated Housing									
Caprice	QLD	89	14	✓					
The Domain	QLD	80	58	✓					
Circa III	QLD	88	88	x					
Subtotal		257	160						
Land									
Cascades on Clyde	VIC	1,190	394	✓					
Little Creek	QLD	655	527	✓					
Longhill Rise	QLD	157	32	✓					
Subtotal		2,002	953						
Total (wholly owned projects)		4,772	2,949						
Joint Ventures (50% Share)									
Treeline	QLD	71	3	✓					
Eynesbury	VIC	2,253	1,944	✓					
Eynesbury Commercial ¹	VIC	1	1	x					
Subtotal		2,325	1,948						
Total (all categories)		7,097	4,897						

1. 50% of the Eynesbury Homestead, surrounding commercial land, Golf Course and shopping precinct



OUTLOOK

Dividends

- It is likely that dividends will continue to be suspended in the short to medium term, to instead focus on the share buy back program which is anticipated to be more value accretive to the share holders

Acquisitions/Restocking

- Re-stocking program to continue, softening of prices have resulted in a decrease in the urgency for acquisitions
- When appropriate sites are identified acquisitions will be executed on an opportunistic basis and with regard to the ongoing capital requirements and debt profile of the Group

Forecasts

- Villa World does not believe it is appropriate to provide detailed financial outlook, due to:
 - Interest rate uncertainty
 - Global economic instability
 - Domestic political situation





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