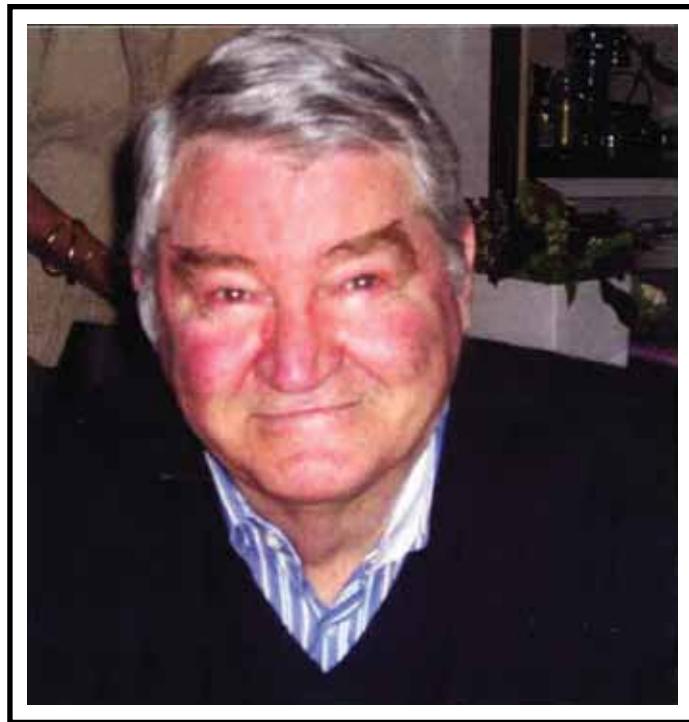


21 January 2015

BERT ROBERTS

K.St.J., BSc (Geology), M. Aus.I.M.M.



21st September 1936 - 31st December 2014

Bert Roberts - Fond Memories

On New Year's Eve, shortly before the New Year began, Bert Roberts, a founding Board member of The Village Building Co. passed away.

I met Bert Roberts when we both served on the board of the Canberra Chamber of Commerce around 40 years ago. We then served together on the Executive of the Canberra Business Council throughout the eighties and early 90's. In 1987 Bert joined me in a syndicate to buy the Brassey Hotel. In 1988, Bert also joined me as a founding shareholder and Board member of The Village Building Co, initially called MBA Land.

It was an immense privilege to work with such an honorable, supportive and jovial man. Over the last 26.5 years Village Building has had some times of exuberance, some bad times

and a couple of highly testing times. Bert was no fair weather sailor. He was a team anchor whether in calm sunshine or under cyclonic business conditions.

I vividly remember a very difficult Village Building Board meeting in 1995, after one of our banks suddenly and unexpectedly put us under incredible pressure on Christmas Eve 1994. There was a dispiriting discussion. Bert sat and listened quietly to others. He then calmly put his weight behind the course that he thought best. The Board fell in behind his view. It was a pivotal moment in the Company.

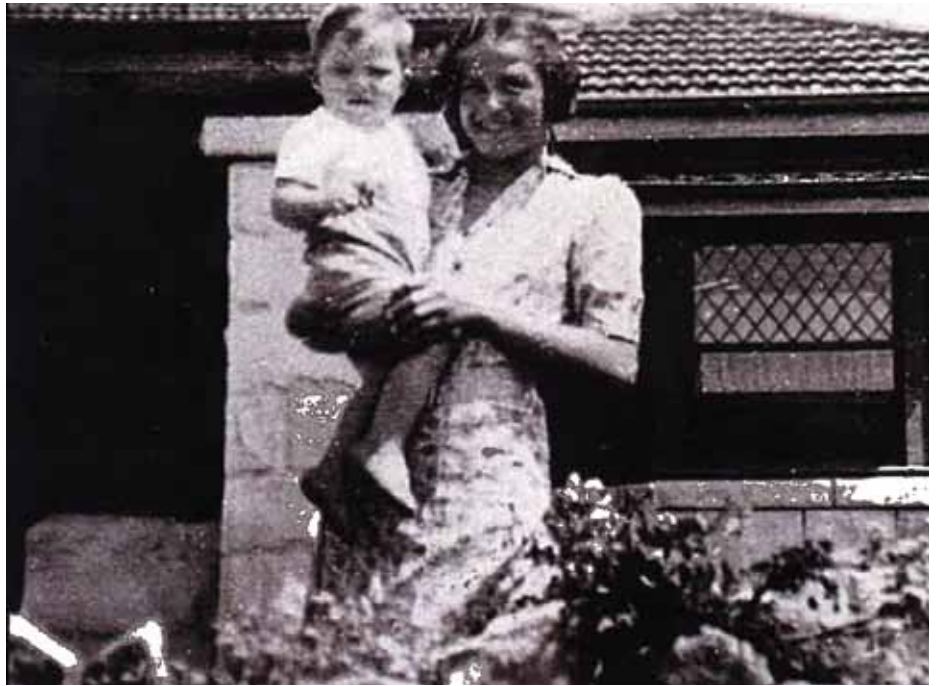
The man with so little to say and such a gentle nature said a few reassuring and determined words that put us on a course of survival and prosperity.

Bert was not entirely a man without protest! In the 1990's we decided to ban smoking at board meetings. For many years, Bert stood stoically puffing away just outside the Boardroom doorway on the fire escape landing, for a 10 minute smoko break every hour and a half. I even once heard him mumble something about the anti smoking "new fascism". But if one unequivocal thing can be said about Bert Roberts, it is that he was a man with not a gram of malice in his make-up and a person who showed real respect for others.

To hear him regale against the notion that climate change was man-made, you could have been forgiven for doubting my claim that great tolerance and a gentle nature were the most saintly part of Bert's character. As a geologist, Bert had a very long view of natural history spanning the entire spectrum of creation. Bert had a conviction that climate change was nature-driven. You could never doubt the sincerity of his convictions. Even less could one deny Bert, of all people, the right to hold to his convictions. Bert was not only without malice, but a man of deep convictions.

When you only work with a person you don't always get a good sense of what he stands for personally. But I clearly remember the distress he felt, when his son was brutally attacked and severely injured in Redfern in Sydney. Bert was not given to talking about personal issues, but at that time he often commented about his son's ongoing rehabilitation, in which Bert played a dedicated and significant role. Bert's comments only stopped when his son's improvement gave him confidence in the future.

Bert clearly had a passion about his family. This was attested to at his funeral, held in the chapel at Federation Square. His son described him as his hero and his wife had earlier privately recounted that she had never heard Bert swear. It was so clear how deeply felt his loss would be and how warm the memories of him would be, to those close to him.





Today, Board members past and present all honor Bert and recount the pleasure he gave to those with whom he worked; his generosity of spirit and the help he gave to so many people and organizations. We share with Dorothy and Bert's family, not just sadness at Bert's passing, but a celebration of his loyalty, grace, kindness, jollity and convictions.

This man gave such pleasure to so many others with his living that the memory of him will be a future sparkle to those who knew him. Bert's integrity, camaraderie and thoughtfulness throughout his life, will outshine the loss of his passing.

Bert Roberts will be sorely missed.



Bert gave tirelessly of his time to the Canberra community

Rotary Club of Canberra East (1971-2014)

Vocational Service Director in (1971-74)
Community Service Director in (1974-75)
Club Service Director in (1976-77)
President in (1977-1978)
He also served as Sergeant-at-Arms for a number of years
He became a Paul Harris Fellow in 1983

Service to Education & Business

Board Member and later Vice-Chairman Canberra Girls' Grammar School (1979-2000)
Deputy Chairman of the C.G.G.S. Gabriel Foundation (1981-2000)
Chairman of Gabriel Foundation Investment Committee (1986-2000)
Trustee of the C.G.G.S. Staff Superannuation (1989-2000)
ACT Schools Authority (1980-1982)
Schools Commission's ACT Planning and Finance Committee (1982-1988)
President of the Canberra Chamber of Commerce (1981-1982)
Birrigai Outdoor School Advisory Committee (1982-2005)
Treasurer of CARD/Canberra Business Council (1983-1994)
Chairman of the ACT Block Grant Authority (1990-1995)
He was awarded a Centenary Medal in 2003 for services to business and education

St. John Ambulance Association (1980-2012)

Member of the Council of the St. John Ambulance Association ACT (1984-2007)
Secretary and/or Treasurer (1984-1996)
Chairman and Member of the National Executive (1996-2002)
Treasurer (2002-2007)
Member of the Investment Committee (2007-2012)
He became a Commander in the Order of St. John (C.StJ) in 1999, a Knight in the Order of St. John (K.StJ.) in 2005 and holds a St. John Service Medal.

THE VILLAGE BUILDING CO BOARD OF DIRECTORS

One of the things that strikes me in writing about Bert Roberts, is the strength and depth of experience that we have maintained on our Board since the company was established in July 1988, over 26.5 years ago. Bert is the third Board member to pass away over 26 years. John Kirby died in 2002 and Chris Perryman in 2004, both having served the company with loyalty and distinction. Below are brief details of our original and current Boards and those who have retired. It is a matter of pride to me, and I hope to the broader shareholding, to work with board members of this calibre within The Village Building Co.

FOUNDATION BOARD



BRIAN PETTIT
FCPA, FAIB

Board member July 1988 – November 2001. First Non Executive Chairman August 1999 – April 2002. Founder of Pettit & Sevitt which built over 7,000 quality homes throughout Australia.



JOHN KIRBY

Board member July 1988 – April 2002. Died 8 April 2002. Founder of Civic Permanent Building Society, later absorbed into Advance Bank which later merged with St George Bank.



CHRIS PERRYMAN

Board member July 1988 – March 1996. Died 11 January 2004. Managing Director of Playoust Building, Canberra.



BERT ROBERTS
B.Sc., M.Aus. I.M.M.

Non Executive Board member July 1988 – June 2013. Died 31 December 2014. Geologist and then partner with his wife in Millers of Manuka, women's fashion retailer, since 1971. Director of the Brassey Hotel.



BOB WINNEL, AM
B.A., Dip. Ed., Dip Ed. Admin

Managing Director since July 1988. Chairman July 1988 – July 1999. Established R & B Constructions and Argyle Homes, building nearly 1,000 homes in Canberra prior to founding Village Building in 1988. Previous Board member of Regional Express Airlines. Member of the National Arboretum Advisory Board. Director, Brassey Hotel. Previous CEO and President of the MBA of the ACT.

CURRENT BOARD



JOHN MCCARTHY, AO
FRICS, FAICD, FAPI, FREI

Current Board member since February 2005. Member of VBC's Remuneration and Audit Committees. Non Executive Chairman since July 2013. Chairman of AEH, owned by the Playoust family. Chair of the Sustainable Built Environment National Research Centre; Past National President of the Property Council of Australia; Chair of the Australian Construction Industry Forum; Chair of publicly listed LandMark White.



GEOFF APPLEBEE
BA (Acc); FCA, FCPA, FAICD

Non Executive Board member since July 2013. Member of VBC's Audit, Risk and Governance Committee. Previously Senior Partner of Ernst & Young. Currently chairs an accounting firm and a NSW government corporation and is director of several private companies and Deputy Chair of Audit committee of ASIC.



MICHAEL DE SIMONE

Non Executive Board member December 2012. Chair of the VBC Remuneration Committee. Previously Managing Director of Canberra Contractors, a major ACT civil contractor, and of ACT company IC Formwork and headed an investment group.



JOHN HINDMARSH, AM
B. Building (Hons), ACT Fellow, Australian Institute of Building.

Non Executive Board member since July 1996. Founder of the Hindmarsh Group. Previous Chairman of the Canberra Business Council. Chairman National Gallery of Australia Foundation and Member NGA Council. Chairman of ACT Cultural Facilities Corporation.



LOYD PERIN
B.Ec; LLB

Non Executive Board member since May 2002. Chairman of VBC Audit, Risk and Governance Committee. Managing Director of the Perin Group, owners of commercial properties in Canberra. Chairman of the Brassey Hotel.

BOB WINNEL, AM
See Foundation Board

RETIRED BOARD MEMBERS



JOHN THAME
Fellow, CPA Australia (CPA)
 Non Executive Board member January 2001 – retired June 2013
 Non-executive Chairman May 2002 – June 2013
 Grew NSW Permanent Building Society into Advanced Bank, which merged with St George Bank in 1997. John was

Chairman of St George Bank for several years and Chairman of Abacus Property Trust Group and Reckon Limited.

BRIAN PETTIT
 See Foundation Board

PROJECTS UPDATE

Village Building has now produced over 15,000 lots in Canberra, Brisbane, Orange, Wollongong, Coffs Harbour and Sydney including 4,340 homes.



Brisbane

- 1. Indooroopilly:** The Board has made a decision to exercise its option over a site at Indooroopilly, 7 km west of Brisbane City and less than 1 km from the Brisbane River. The site will contain between 108 and 120 units over 10 floors with two basement levels. The site is 700m from the railway station and 4.5 km from the University of Queensland and is in a highly desirable residential area, immediately opposite one of the largest shopping centres in Brisbane. The centre has just had a \$450M upgrade. At a price of \$61,250-\$68,055 per unit site, we expect it to yield a profit of around \$7.6M representing a projected IRR of over 20%*. The site will be open to syndication and investment will be invited over coming weeks. Those who are interested in attending an information session regarding this investment opportunity should contact Sally on SMuse@villagebuilding.com.au or 6246 3404. The Brisbane market continues to strengthen and we regard Indooroopilly as a prime investment location.
- 2. Collingwood Park:** Investment opportunity also remains open at Collingwood Park, located 30.3 km south west of the Brisbane CBD, between Springfield and Ipswich. We recently had our first DA approved for 333 detached houses. We expect a total of 740 dwellings with an estimated profit of \$38M, producing a projected internal rate of return exceeding 20%*. The development is situated in a designated growth corridor. The State Government is spending significant money on transport infrastructure to encourage job growth in the area. I believe that the site will perform well in the current rising Brisbane market. Vince can provide further details should you be interested.
- 3. Acacia Grove & Abode:** There is increased sales activity on these sites which are proceeding in line with their current budgets.



Rosedale, St Ives

Sydney

- Alexandria:** We acquired this site for \$20M in December. The site was then on-sold to Defence Housing Australia for \$30M, with settlement occurring 2 weeks after VBC settled its acquisition of the site. After allowing for stamp duty, planning and DA costs incurred over the previous 18 months, investors' commitment fees, overheads and interest, the project yielded a net profit of around \$6M. This will enable a reasonable overall outcome in 2014/15, a year of otherwise low turnover and low profit, due to the current serious Canberra down-turn and the time it takes to establish new projects outside Canberra.
- St Ives:** We have achieved 93 sales with 31 yet to sell. As reported at the AGM, the profit forecast has been upgraded to around \$10M, against the original forecast of \$7M, though due to the four year approval process, the IRR has dropped significantly.
- Arncliffe:** The acquisition of additional properties has more than doubled the size of the project but requires a Planning Proposal, which has added 9 months to the approval process. There have been many meetings with Rockdale Council and its Design Committees. Following their support, the Planning Proposal on which the DA will be based, has now been lodged. We expect to lodge the DA and the Voluntary Planning Agreement in April, targeting commencement of work around July/August. Based on an outcome of between 130 and 145 units, the land purchase price of \$13.165M yields a land cost of between \$90,793 and \$101,269 per unit site. After adjusting for Council requirement to landscape a park within our site, the land content rises to a cost of between \$104,586 and \$116,653 per site. Our profit projection has risen to around \$12M, yielding a projected IRR in excess of 20%*. There is some opportunity for further investors in this project.

- Bulli:** Bulli was purchased several years ago at \$4.7M for 173 dwellings. Significant demolition costs and site remediation costs have been incurred over the last year. Along with Entry Road and rezoning costs, this increased the average site cost prior to civil works to \$93,500 per site.

Two stages of 38 house land packages have already been released and fully sold. There will be a further release of 15 houses in late January and a further 14 houses in late February, with a release of 11 blocks of land in late April. Houses in the project are priced from \$479,000 to \$750,000 and land is priced from \$450,000 to \$550,000 for blocks ranging from 450m² to 578m². Some dwellings have ocean views. A profit of \$11M is projected, resulting in a projected IRR in excess of 20% on funds invested*. Civil works on the Entry Road have commenced as site remediation nears completion. Civil works in Stage 1 is expected to commence in April with housing construction commencing in August.



Arncliffe site

Canberra

- Nirvana:** This project for 60 dwellings under the Commonwealth's National Rental Affordability Scheme is complete and met its budget.
- Broadview and Jacka:** We have only 93 house/land packages left to sell in the ACT. Sales have slowed significantly and prices have fallen. Fortunately, over the last six years we acquired sites in Collingwood Park and Indooroopilly in Brisbane, Bulli, St Ives, Arncliffe and Alexandria in Sydney and have recommenced the production of sites in Coffs Harbour. This forward planning was undertaken in the knowledge that Canberra would undoubtedly face another cyclical downturn at some stage. This has now occurred.

With the land we have acquired outside the ACT, we are prepared for this first and very significant ACT downturn in 19 years. We will continue to evaluate smaller sites available for purchase within the ACT, so as to maintain some level of activity during the downturn.

Port Hedland: Although the area has record levels of exports, the dramatic downturn in capital expenditure to develop new resource projects continues to negate prospects of a successful project in the short to medium term. The ongoing collapse of resource pricing and resource projects globally, suggests it will be some time before any viable development opportunity arises for this site. We are very disappointed that our expectations for this site has so significantly changed.



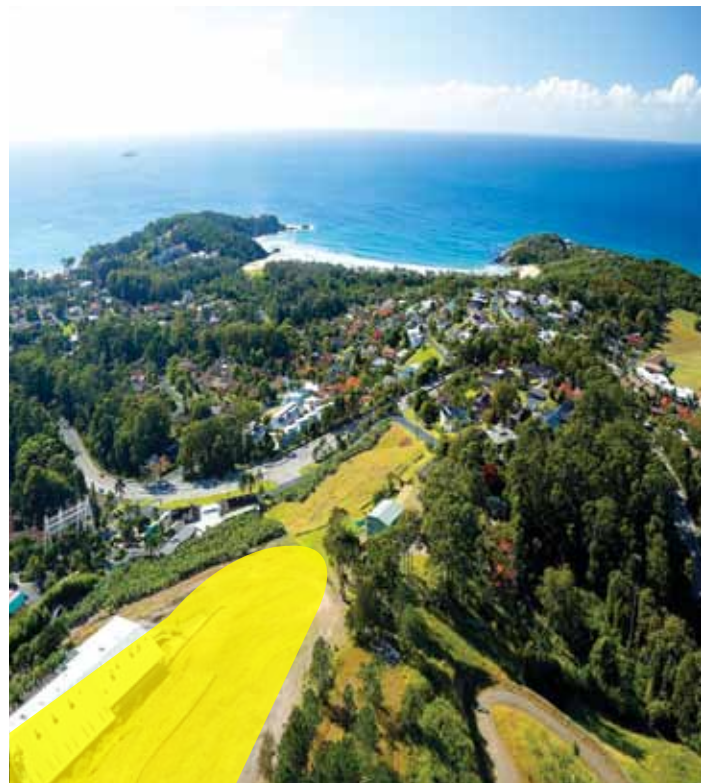
Big Banana, Water Park--Equipment similar to our proposed water park to be opened in September

Coffs Harbour

1. Big Banana Fun Park - Trading Position: We are endeavouring to build into our asset base some areas of ongoing income, not reliant on development activity. Over recent times our new manager of the Big Banana, Michael Lockman has gained board support for a Laser Tag activity within the Big Banana Fun Park, along with a recently opened 36 hole mini golf course. Two days ago we obtained a \$500,000 NSW State Government grant towards the cost of construction of a \$1.6M Permanent Water Park, to replace our temporary park which contains inflatable equipment that requires frequent replacement. This grant is an excellent outcome. These recent new attractions, along with the water park are projected to lift the Big Banana's annual profit to over \$300,000 with further growth potential. This compares to around

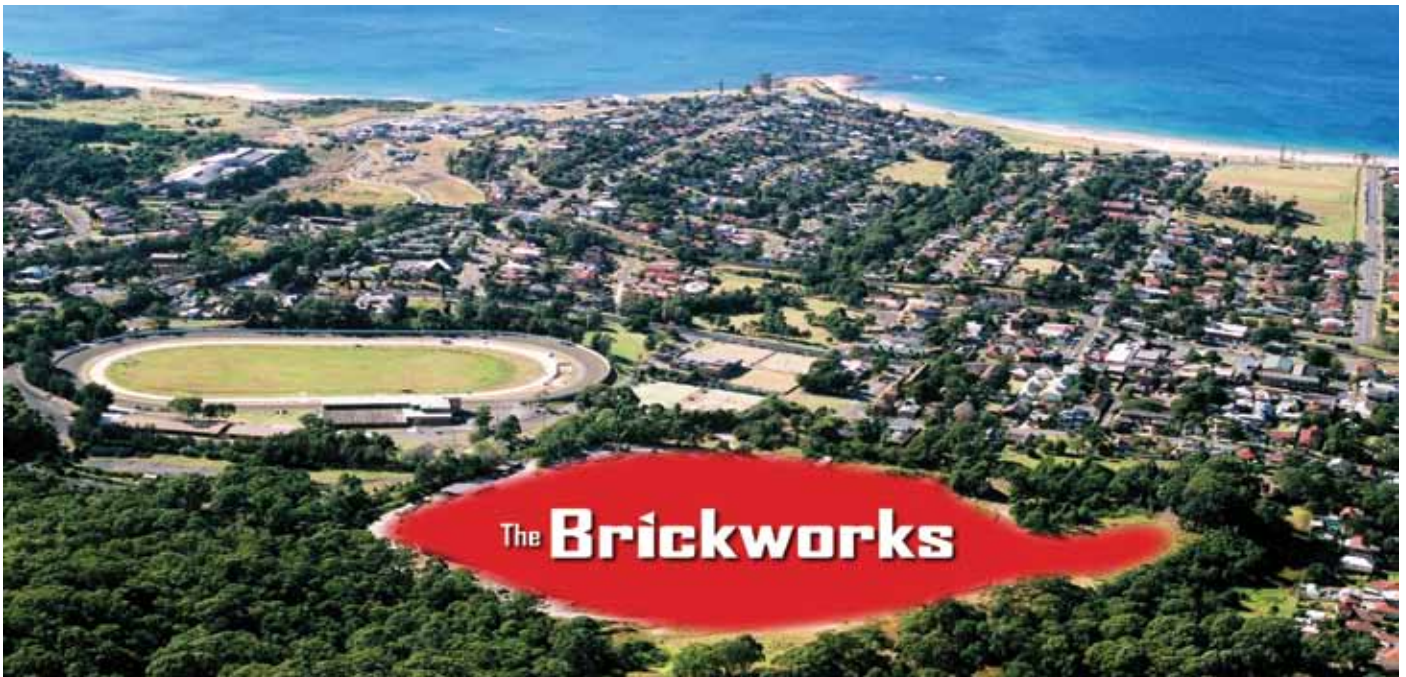
\$120,000 net profit this year. We will continue to evaluate further expansion of the park given the strong recovery in the Coffs Harbour tourist market currently underway.

2. The Summit: We continue to examine design changes to our land form and housing on The Summit adjacent to the Big Banana, to enable recommencement of development activity on this site. Our first step in this regard is to construct 29 lots at the top of the Big Banana which have spectacular 180 degree ocean views. These lots are being incorporated into the Community Title "Summit" development and will contribute \$700,000 towards the infrastructure costs of The Summit. Net profit to the Big Banana Joint Venture of which Village is a 50% owner is expected to be \$2M. Work is expected to start in April and complete in September, the DA having already been approved. Lots are priced from \$210,000 to \$399,000 and 8 lots have already been sold. We plan to produce more of these lots for individual houses within The Summit, replacing proposed unit sites. In addition to prime land we are examining the scope to build townhouses at the lower end of the new house market in The Summit. We are also engaged in an ongoing effort to have lights installed on West Korora Road and the Pacific Highway by the NSW Government, to facilitate safer egress/ingress to the Big Banana Fun Park, whilst also enabling further housing within the Big Banana.



Big Banana land for individual houses within Summit community title

* Internal rates of return derive primarily from profit and project timeframes. They will be further explained at the investors meeting next Wednesday 28th January at 5pm.



The Brickworks, Bulli

TRALEE UPDATE

Before Christmas the NSW Government's Joint Regional Planning Panel (JRPP) met to consider Tralee. The Panel consists of NSW State Government appointees including planning professionals. The recommendations put to it are formulated by the staff of Queanbeyan City Council.

The JRPP met to decide our Urban Concept DA lodged with Queanbeyan Council on 10 December 2013. The Entry Road Concept DA had already been approved by Queanbeyan Council, following intervention by the Mayor and Councillors. Being of a value above \$20M however, the Urban Concept DA is not dealt with by Queanbeyan Council. It is considered solely by the State Government appointed JRPP.

The Urban Concept DA lodged by Village, included Design Guidelines that establish a layout for the overall sub-division of South Tralee. Once the Concept DA is approved, detailed DA's are then lodged with Queanbeyan Council for each stage of the sub-division.

Whilst the rezoning of South Tralee in November 2012 was for "up to 2,000 dwellings", Council requirements have progressively reduced this to 1,236 dwellings as reflected in our Urban Concept DA lodged in December 2013. Even though Queanbeyan Council staff had our DA proposal for nearly a year, without any prior discussion, their recommendations to the JRPP challenged the filling of an erosion gully already zoned for residential use. Staff recommendations also included increases to many lot sizes. If adopted, these and other measures would reduce the yield below 1,000 dwellings and render the project non-viable at this point in time.

At the same time, Queanbeyan Council has placed on exhibition a draft Development Control Plan (DCP) which conflicts with many of the Design Guidelines in our Urban Concept DA and also conflicts with some provisions of the Local Environment Plan (LEP), which is the formal rezoning document and which prevails over Council's DCP.

In addition, QCC have used the DCP to prohibit some uses within the 250 metre wide buffer zone between Hume and South Tralee, that are permitted in the rezoning as outlined in the LEP.

The JRPP deferred the DA decision until further work is done on the design of the sub-division plan as it affects the erosion gully and adjacent land form. The JRPP also wants to resolve any lack of certainty derived from conflict between the proposed Design Guidelines included in the Urban Concept DA lodged by Village and Queanbeyan Council's Draft DCP for South Jerrabomberra.

We are bewildered by the sudden changes to our Urban Concept DA advocated by Queanbeyan Council staff. We continue working to respond positively to the JRPP, in a manner that preserves the project's viability. We are hopeful of a positive outcome enabling work to start on the Entry Road in late April. As we already have 136 sales, the project can proceed immediately a viable approval is achieved.

Bob Winnel

Bob Winnel, Chief Executive