Directors' Comments

Year Ended 30 June 2013

14 August 2013

The Directors of Devine Limited (Devine) announce the following results for the year ended 30 June 2013 (FY13):

($ millions unless otherwise stated)	Full- Year Ended	
	June 2013	June 2012
Revenue from operations*	311.1	313.9
EBITDA (before impairments)	17.0	23.7
Statutory Net Profit/(Loss) after Tax	(0.6)	(12.9)
Impairments after Tax	(7.0)	(24.0)
Underlying Operating Profit after Tax **	6.4	11.1
Gearing	25.5%	28.2%
Net Tangible Assets - $ per share	$1.98	$2.00
EPS – cents per share	(0.4)c	(8.1)c
Full Year Dividend (Fully Franked) – cents per share	-	4.0c

* Excludes Devine's share of revenue from settlements at Hamilton Harbour (FY13 - $45.8M, FY12 - $99.2M).

** Underlying profit after tax excludes impairments

Note: The Company's multi-option core debt facility with ANZ has been extended to October 2015

Comments on Operations and Operating Highlights

FY13 was characterised by an increase in residential land settlements and housing starts offset by a decrease in apartment settlements with settlements occurring when the residential project is completed. One residential tower at the Hamilton Harbour project was completed with settlements occurring in FY13 compared with two towers in FY12.

- Residential land settlements: 978 – up 30% on FY12
- Housing Starts: 706 – up 45% on FY12
- Apartment settlements: 179 – down 58% on FY12
- Construction revenue: $56 million – down 51% on FY12

Land and housing values year on year remained flat. However a slight improvement in gross margins on land was achieved as lower levels of discounting remained in the general market.

Despite the increase in trading activity for the housing business, it performed poorly over FY13 recording a loss which detracted from the overall result of the housing & land business. This stemmed primarily from pressure on selling prices and hence margins and higher marketing overheads as a percentage of turnover being incurred as a result of the tight market conditions.

A detailed review of the housing business was undertaken and this has resulted in a number of initiatives being implemented. These include the appointment of a new General Manager and realigning staff numbers to reflect current trading volumes which is expected to improve performance.

Some key operating highlights for the past 12 months included:

- Significant progress on the Group's signature Master Planned Communities was achieved (Riverstone Rise in Gladstone, QLD , Stonehill at Bacchus Marsh in VIC and Orleana Waters in Adelaide) with key place infrastructure delivered resulting in increased sales velocity;

- Completion by Devine Constructions in November 2012 of the third residential tower, "Riverside", at Hamilton Harbour and also the completion in March 2013 of the first commercial building known as "KSD1" at Hamilton Harbour. 83% of this project is now leased;

- Settlement of 179 apartments at the Hamilton Harbour project in Queensland. A total of 604 apartments, representing 92% of the total, have now been sold and settled at this landmark project;

- A 50% interest in Devine Apartments' "DoubleOne3" project at Teneriffe in inner Brisbane was sold into a Joint Venture with Investec in June 2013;

- The Company's development pipeline totalled approximately 12,800 equivalent lots at June 2013. This continues to place Devine in a strong position when activity in the residential sector improves.

Market conditions

Market conditions have remained challenging over the past 12 months with only a modest increase in dwelling commencements recorded. This is despite historically low interest rates and added stimulus provided by some State Governments to promote new housing construction.

Consumer confidence has remained fragile and whilst there has been an uplift in confidence levels over the last quarter, buyer decisions remain cautious as job security remains of concern.

New opportunities

Devine Group's growth strategy remains focused on:

- expansion of the Company's apartment business through re-entering the NSW market;
- selling developed residential lots as "land only" to other builders, investors and future homebuyers;
- innovative product offerings in the housing business;
- securing additional "wholesale build" contracts;
- diversifying the Devine Constructions business by securing selected build contracts for external customers.

Change to FY reporting

The Corporations Act (Sec 323D (3)) requires that, given Leighton's position as a "controlling shareholder" in Devine, Devine is required to align its financial year to that of Leighton. Accordingly Devine's Directors have resolved to change the company's financial year-end from 30 June to 31 December to align with that of Leighton.

Outlook

Whilst dwelling commencements are forecast to remain flat over the next 12 months, the level of net migration to Australia, the low interest rate environment, state governments re-focusing their incentive programs for first homebuyers on new dwellings and the underlying stock deficiency in dwellings in most major markets, are all positive factors for the residential sector over the next few years.

Devine's pipeline of current and future developments is well represented in the growth corridors in the Brisbane, Melbourne and Adelaide markets. This together with its residential communities in a number of key regional markets including Gladstone, and its planned return to the NSW market provides a sound base from which to grow sales volumes and profits as the residential sector improves.

Directors will provide an update on trading at the AGM in November 2013.

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