



Directors' Comments

Half Year Ended 30 June 2015

12 August 2015

The Directors of Devine Limited (Devine) announce the following results for the half year period ended 30 June 2015:

\$'millions	Period Ended	
	June 2015 6 Months	June 2014 6 months
Net Profit/(Loss) before Tax	(1.2)	5.6
Net Profit / (Loss) after Tax	0.9	0.5
Underlying * Profit / (Loss)	2.7	7.7
Total Revenue - \$ million	146.5	175.2
Gearing**	7%	16%
Net Tangible Assets - \$ per share	\$1.55	\$1.53
EPS – cents per share	0.6 cents	0.3 cents

* Underlying Profit excludes housing business losses and restructure costs

** Gearing is defined as (interest bearing & non-interest bearing debt – cash held) / (total assets – cash held)

Review of operations

The Directors announce an after-tax profit of \$0.9 million for the six months to 30 June 2014, with an underlying profit of \$2.7 million exclusive of the Company's housing business losses and restructure costs.

During the period to June 2015 the Company undertook and achieved the following outcomes:-

- Operating cash flow of \$31.4 million for the six months;
- Debt retirement of \$28 million, in addition to \$82 million across the prior 12 month period;
- Balance sheet gearing level of 7% achieved;
- Primary debt facility extended until 31 August 2016;
- Requirement for the corporate guarantee to be removed; and
- Full year guidance of \$10 million to \$13 million profit before tax maintained.

Operating highlights

The period was characterised by strong trading performances across the Company's land development operations, particularly in areas of the Queensland and Victorian property markets. The period is also highlighted by the performance and growth of the constructions business.

- Land settlements of 403 allotments, with 74% of the full year settlement forecast either completed or secured and subject to contract
- 266 housing construction commencements, as the Company completes its existing homes business workbook following the implementation of the housing business restructure
- Commenced sales and construction of the \$350 million Eden's Crossing Community at Redbank Plains in Queensland
- Ongoing market support for the Company's medium density housing solutions with strong sales and growing pent up demand across the active projects
- Apartment settlement volumes for the period were limited by no new apartment projects completing in the period and represent only the residual stock in completed projects;
 - DoubleOne 3: only two (2) apartments remain for sale
 - Mode at Newstead: 70% total project sold and unconditional
- Formalised an agreement with leading Japanese apartment developer, Daikyo Incorporated, to jointly investigate and undertake new apartment projects in Australia;
- Secured control of two (2) new apartment development sites with a combined yield of over 380 apartments
- Commenced construction of the 157 apartment Mode Apartment project in Brisbane, the first project to be undertaken as part of the Devine-Daikyo alliance
- Achieved 'topping-off' stage of the 12 storey Alex Perry Residential project in Brisbane
- Growth of the Devine Constructions work-in-hand to \$264 million , securing the Topaz Residence contract for Starhill Property Group (157 apartments)

Market conditions

Residential market conditions have remained strong in many sectors throughout the period, with the Company's high volume trading regions of South East Queensland and Victoria continuing to perform well. However, while showing signs of a recovery the South Australian market remains challenging.

Low interest rates and strong demand from both local and offshore investors is driving strong demand in some key markets, particularly capital city apartment markets on the east coast. Despite a recent fall in monthly dwelling approval numbers, the annual dwelling approvals

data remains near record levels. The demand of new dwellings is driving good price growth however this is offsetting the affordability gains of low interest rates.

Sentiment within the market remains in negative territory with reported sensitivity to local and international economic events, while households are maintaining a high level of concern for job security. We are still of the view that the market will need to see improvement in the matters influencing confidence before we see the owner occupier market increase significantly.

Debt Extension and Refinancing

As reported at the Annual General Meeting in May, the Company's primary debt facility with ANZ Banking Group was due to expire on 31 August 2015. The Directors are pleased to report that this facility has been extended until 31 August 2016.

An outcome of the renegotiation and extension of the facility will be the removal of the \$50 million corporate guarantee previously provided by the majority shareholder.

Throughout the process the Company has retained the support of its primary lender and continues to work with them in ensuring the Company's growth ambitions can be realised.

Outlook & Opportunities

Devine's focus remains to provide affordable, value for money residential solutions for the Australian property market. Following the restructure of the housing business, the Company will deliver upon its undertakings via three (3) core operating areas; Communities (land and built form), Development (apartments and mixed-use) and Construction.

The Company's strategic focus will be applied to growing and strengthening these core operating areas; including expanding the apartment development and community development pipeline via new project opportunities; seeking small to mid-scale build out opportunities to leverage the built form capabilities within the business; and the balanced expansion of the Devine Constructions work-book.

The Company's low balance sheet gearing level provides Devine with a solid foundation for growth.

The Directors maintain the guidance provided at the Company's Annual General Meeting in May which is for a profit before tax of between \$10 million to \$13 million for FY2105.

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