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Devine GROUP

13 August 2014

DEVINE RECOVERY ON TRACK

$'m	Period Ended	
	June 2014 6 Months	June 2013 6 months
Net Profit/(Loss) before Tax	**5.6**	(6.9)
Statutory Net Profit / Loss (after Tax)	**0.5**	(4.7)
Total Revenue - $ million	**175.2**	144.2
Gearing*	**16%**	26%
EPS – cents per share	**0.3 cents**	(3.0) cents

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

Residential developer Devine Limited (ASX: DVN) has today announced a pre-tax profit of $5.6 million for the six months to 30 June 2014, compared to a pre-tax loss of $6.9 million for same period last year.

Managing Director and CEO David Keir said the Company was seeing the rewards of its long-term strategy to be well positioned to benefit from continued strengthening in the property market.

"Our strong trading performance in the first half reflects a general uplift in most property markets across Australia which we have translated into sales," Mr Keir said.

At 30 June 2014, the Company had achieved residential land settlements of 392 lots, and also secured forward sales representing 85% of the full year target. Housing commencements were also strong with 314 starts and pipeline commencements representing 80% of the full year target.

Apartment development operations reported a solid half-year with strong sales at the Company's flagship Hamilton Harbour and DoubleOne3 projects in Brisbane.

The Hamilton Harbour project ended the period almost fully sold with only one apartment out of 660 still available. Approximately 90% of apartments at DoubleOne3 had also been sold, and settlements commenced with 78 apartments now settled since handover in July.

Pre-sales commenced at the Mode Apartments project in Brisbane, with 70% of the 157 apartments pre-sold or reserved as at 30 June.

The Company's capital recycling program, which was initiated in late 2013, continued during the period, delivering more than $70 million through asset sales in the past six months which has been used to reduce debt and further enhance the Company's development pipeline.

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In another positive development, Devine Constructions was also awarded the contract to deliver the Westmark Milton project in Brisbane, with construction expected to commence in 2014. Devine Constructions' work-in-hand grew to $179 million during the period, with projects to be delivered over the next 24 months.

Mr Keir said the outcome of the Company's recycling plan will enable new growth strategies to be implemented.

"The capital raised through this program will allow us to investigate and negotiate a number of new higher-margin opportunities that will secure the project pipeline of the Company in the future," Mr Keir said.

"With residential property markets continuing to improve in our key operational regions in South East Queensland and Victoria, 2014 will be a year of recovery for the Company as we implement our strategy to return to sustained profitability."

Mr Keir said that in Brisbane volumes were improving as the region entered an upswing, while in Melbourne most markets had stabilised and expected to show steady growth. However, the Adelaide market remained subdued following the withdrawal of the State's new construction grant.

As previously announced, the Directors have been advised by majority shareholder Leighton Holding Limited (LEI) that it was seeking a potential purchaser of its 50.6% investment in Devine Limited. Given this stated desire, the Directors believe that a Company led process examining the sale of all shares was warranted.

As a result, Devine and Leighton have entered into arrangements in relation to the sale process. The process will be administered solely by Devine and overseen by an Independent Board Committee of Devine in consultation with Leighton and its advisers.

The expression of interest program has commenced and is expected to conclude with submissions received before 25 August 2014, with shortlisted proponents granted access to due diligence in September 2014, subject to confidentiality arrangements.

The costs being incurred as a result of the current sale process will impact the previous earnings guidance provided in June 2014. Costs in the order of $1.5 million could be expected.

After costs incurred from the sale process, the Company expects to deliver a full year result of $10 million to $11 million profit before tax.

For further information contact

David Keir
Managing Director and CEO
Devine Limited
Ph: (07) 3608 6302