



This is an important document and requires your immediate attention.
If you are in doubt as to what you should do, you should consult your legal, tax, financial or other professional adviser as soon as possible.

Target's Statement

Your Independent Directors unanimously recommend that you

ACCEPT

the Offer in the absence of a superior proposal

This Target's Statement has been issued by Devine Limited (ABN 51 010 769 365) ("Devine") in response to the takeover bid made by CIMIC Residential Investments Pty Limited (ABN 97 124 839 069) ("CRI"), a wholly owned subsidiary of CIMIC Group Limited (ACN 004 482 982) (together for the purposes of this Target's Statement, "CIMIC").

Devine Shareholder Information Line:

Devine has established a Shareholder Information Line which Devine Shareholders should call if they have any queries in relation to the Offer. The telephone number for the Shareholder Information Line is:

- 1300 393 217 (within Australia)
- +61 3 9415 4037 (outside Australia)

which is available Monday to Friday between 8.30am and 5.00pm (AEDT).

Financial Adviser

**Goldman
Sachs**

Legal Adviser

**KING & WOOD
MALLESONS**

Key dates

Date of Bidder's Statement	12 November 2015
Date of the Offer	26 November 2015
Date of this Target's Statement	10 December 2015
Close of Offer Period (unless extended or withdrawn)	7.00pm (AEDT) on 29 December 2015

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Important notices

Nature of this document

This target's statement ("**Target's Statement**") dated 10 December 2015 is issued by Devine under Part 6.5 Division 3 of the Corporations Act in response to the Offer made pursuant to the Bidder's Statement dated 12 November 2015, which was served by CIMIC Residential Investments Pty Ltd ("**CRI**"), a wholly owned subsidiary of CIMIC Group Limited (together for the purposes of this Target's Statement, "**CIMIC**"). This document should be read in its entirety.

Defined terms

A number of defined terms are used in this Target's Statement. These terms have the meaning given in the glossary in Section 8. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of each Devine Shareholder. You may wish to seek independent financial, tax or other professional advice before making a decision whether or not to accept the Offer for your Devine Shares.

Disclaimer regarding forward looking statements

This Target's Statement contains forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the residential property industry as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Devine, any of its officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on CIMIC contained in this Target's Statement has been prepared by Devine using publicly available information. The information in this Target's Statement concerning CIMIC, including CIMIC's assets and liabilities, financial position, funding and performance, profits and losses and prospects and information about its related parties, has not been independently verified by Devine. Accordingly, Devine does not, subject to the Corporations Act and general law, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

Investment advice

Other than the Independent Expert's Report, the information contained in this Target's Statement does not constitute financial product advice. In preparing this Target's Statement, Devine has not taken into account the investment objectives, financial or tax situation or particular needs of individual Devine Shareholders.

It is important that you consider the information in this Target's Statement in light of your particular circumstances. You should seek advice from your financial, legal or other professional adviser regarding your particular circumstances and the Offer or if you are in doubt as to the contents of this Target's Statement.

Not an offer

This Target's Statement does not constitute or contain an offer to Devine Shareholders, or a solicitation of an offer from Devine Shareholders, in any jurisdiction.

Notice to foreign shareholders

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in those jurisdictions and persons who come into possession of it should seek advice on and observe any restrictions. Any failure to comply with those restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared solely in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy statement

Devine has collected your information from the register of Devine Shareholders for the purposes of providing you with this Target's Statement. The type of information Devine has collected about you includes your name, contact details and information about your security holding in Devine. Without this information, Devine would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the names and addresses of Devine Shareholders to be held in a public register.

Your information may be disclosed on a confidential basis to Devine's related bodies corporate and external service providers (such as Devine's Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and ASX.

If you would like details of information about you held by Devine, please contact Devine's Share Registry. Devine's privacy policy is available on Devine's website at www.devine.com.au.

Maps

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

Devine Shareholder Information Line

Devine has established a Shareholder Information Line which Devine Shareholders should call if they have any queries in relation to the Offer. The telephone number for the Shareholder Information Line is:

- 1300 393 217 (within Australia); or
- +61 3 9415 4037 (outside Australia),

which is available from Monday to Friday between 8.30am and 5.00pm (AEDT).

Letter from the Independent Board Sub-Committee of Devine

Dear Devine Shareholder

ACCEPT the Offer in the absence of a superior proposal

Introduction and background

You should have recently received a Bidder's Statement from CIMIC Residential Investments Pty Limited (ABN 97 124 839 069) ("**CRI**"), a wholly owned subsidiary of CIMIC Group Limited (ABN 57 004 482 982) (together for the purposes of this Target's Statement, "**CIMIC**") in relation to its offer to acquire all of the ordinary shares of Devine Limited ("**Devine**") for \$0.75 in cash per share ("**Devine Share**") ("**Offer**").

This Target's Statement sets out the recommendation of your Independent Directors of Devine in relation to the Offer. Your Independent Directors encourage you to read this Target's Statement in full, including the Independent Expert's Report from KPMG Corporate Finance ("**Independent Expert**") included in this Target's Statement as Annexure A.

For the purposes of evaluating and responding to the Offer, the Devine Board established an Independent Board Sub-Committee ("**IBC**"). The IBC is comprised of the Directors who are independent of CIMIC, being Judith Downes (Chairman of the IBC) and Peter Dransfield (Chairman of the Devine Board). Craig Bellamy (Acting Chief Executive Officer) is the Secretary of the IBC.

Following a period of negotiation between the IBC and CIMIC, CIMIC has agreed that it will revise the Offer, such that:

- on or before 10 December 2015, CIMIC will free the Offer from any conditions; and
- CIMIC will vary the Offer by increasing the consideration payable under the Offer to all Devine Shareholders who accept the Offer, from \$0.75 to \$0.81 cash per Devine Share if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue. The IBC notes to Devine Shareholders that there can be no assurance that CIMIC will obtain a relevant interest in at least 90% of the Devine Shares.

Recommendation

Given the opportunity for improved offer consideration, the IBC unanimously recommends you **ACCEPT** the Offer in the absence of a superior proposal.

The IBC recognises that the Offer provides Devine shareholders with price certainty and liquidity at \$0.75 in cash per Devine Share, together with the potential for the consideration under the Offer to all Devine shareholders who accept the Offer, to increase from \$0.75 to \$0.81 cash per Devine Share if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue.

Reasons for the Independent Directors' recommendation

The key reasons why Devine Shareholders should **ACCEPT** the Offer include:

- The Offer represents a premium to recent market prices
- The Independent Expert views the Offer as not fair but reasonable
- The Devine Share price may fall following completion of the Offer
- The Devine Shares may be more illiquid following close of the Offer
- CIMIC is seeking to make unspecified changes to Devine's business strategy, to reconstitute Devine's Board and appoint a new Chief Executive Officer
- CIMIC may be able to exercise greater influence on Devine following close of the Offer
- Uncertain that a superior competing proposal would succeed
- There will be a number of disadvantages for Devine Shareholders if Devine is delisted in the future
- Uncertainty of future financing arrangements

The detailed reasons to **ACCEPT** the Offer are set out in full in Section 1.

Independent Directors' intention with respect to their Devine Shares

The Independent Directors intend to accept the Offer in respect of their personal shareholdings in Devine in the absence of a superior proposal.

How to ACCEPT or reject the Offer

The Offer is open until 7.00pm (AEDT) on 29 December 2015 unless extended or withdrawn. To accept the Offer, please follow the instructions set out in section 1 of the Bidder's Statement.

Enquiries

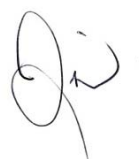
If you have any enquiries in relation to this document or your shareholding in Devine, please do not hesitate to call the Shareholder Information Line on 1300 393 217 (within Australia) or +61 3 9415 4037 (outside Australia) which is available from Monday to Friday between 8.30am and 5.00pm (AEDT).

The IBC will update Devine Shareholders with any material developments in relation to the Offer.

Yours faithfully



Judith Downes
Chairman
Independent Board Sub-Committee of
Devine Limited



Peter Dransfield
Member of the Independent Board Sub-
Committee and Chairman of
Devine Limited

1 Independent Directors' recommendation and reasons

1.1 Directors of Devine

The Directors of Devine as at the date of this Target's Statement are Peter Dransfield (Chairman), Judith Downes, Jeff Cummings, Mark Gray and David Robinson.

Each of Jeff Cummings, Mark Gray and David Robinson is a nominee of CIMIC. As such, each of Jeff Cummings, Mark Gray and David Robinson does not consider themselves to be independent for the purposes of the Offer. For this reason, each of Jeff Cummings, Mark Gray and David Robinson has not participated in the consideration of the Offer and each declines to make a recommendation on whether or not the Offer should be accepted.

The IBC is comprised of the Directors who are independent of CIMIC, being Judith Downes (Chairman of the IBC) and Peter Dransfield (Chairman of the Devine Board). Craig Bellamy (Acting Chief Executive Officer) is the Secretary of the IBC.

1.2 Recommendation and intentions

In assessing the Offer, your Independent Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement.

After taking into account the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, the IBC recommends that you **ACCEPT** the Offer.

The Independent Directors intend to **ACCEPT** the Offer in respect of their personal shareholdings in Devine in the absence of a superior proposal. Those Directors (and their associates) collectively hold 255,000 of the Devine Shares (see Section 7.6(a) for more information on the respective shareholdings of the Independent Directors).

1.3 Reasons why Devine Shareholders should **ACCEPT** the Offer

(a) The Offer represents a premium to recent market prices

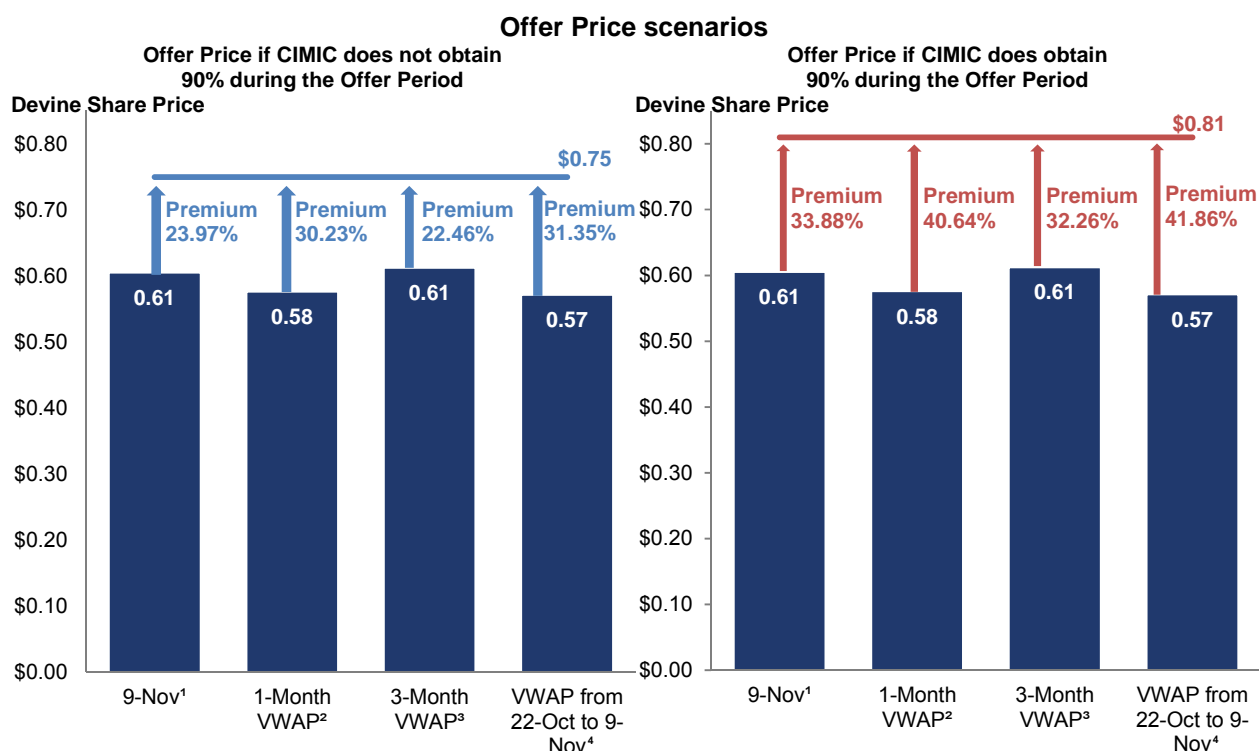
The \$0.75 cash per Devine Share payable under the Offer represents:

- a premium of 23.97% over the price of \$0.61 per Devine Share at the close of trading on 9 November 2015 (the day before CIMIC announced its intention to make the Offer);
- a premium of 30.23% to the VWAP of \$0.576 per Devine Share over the one month period up to 9 November 2015;
- a premium of 22.46% to the VWAP of \$0.613 per Devine Share over the three month period up to 9 November 2015; and
- a premium of 31.35% over the VWAP of \$0.571 per Devine Share in the period between Devine's profit downgrade on 22 October 2015 (which occurred before CIMIC announced its intention to make the Offer) and 9 November 2015.

CIMIC has agreed to vary the Offer by increasing the consideration payable under the Offer to all Devine Shareholders who accept the Offer from \$0.75 to \$0.81 in cash per Devine Share if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue. If payable, that increased consideration represents:

- a premium of 33.88% over the price of \$0.61 per Devine Share at the close of trading on 9 November 2015;
- a premium of 40.64% to the VWAP of \$0.576 per Devine Share over the one month period up to 9 November 2015;
- a premium of 32.26% to the VWAP of \$0.613 per Devine Share over the three month period up to 9 November 2015; and
- a premium of 41.86% over the VWAP of \$0.571 per Devine Share in the period between Devine's profit downgrade on 22 October 2015 (which occurred before CIMIC announced its intention to make the Offer) and 9 November 2015.

The IBC notes to Devine Shareholders that there can be no assurance that CIMIC will obtain a relevant interest in at least 90% of the Devine Shares.



(b) The Independent Expert views the Offer as not fair but reasonable

KPMG Corporate Finance was retained to provide Devine with an Independent Expert's Report as required under section 640 of the Corporations Act. KPMG Corporate Finance has estimated the fair market value of the Devine Shares to be in the range of \$0.84 to \$0.94 per Devine Share. As such, the Independent Expert views the Offer as "not fair".

However, the Independent Expert has assessed the Offer as "reasonable" and that Devine Shareholders would be better off accepting the Offer.

¹ The close of trading on 9 November 2015, being the date before CIMIC announced its intention to make the Offer

² VWAP for the period from 12 October 2015 to 9 November 2015

³ VWAP for the three month period up to 9 November 2015, being the day before CIMIC announced its intention to make the Offer

⁴ VWAP for the period between Devine's profit downgrade on 22 October 2015 (which occurred before CIMIC announced its intention to make the Offer) and 9 November 2015

In forming its opinion as to the reasonableness of the Offer, the Independent Expert stated “we consider the Offer to be reasonable based on a range of factors which, on balance and in the absence of a superior offer, suggest that Devine Shareholders would be better off accepting the Offer”.

A full copy of the Independent Expert’s Report accompanies this Target’s Statement as Annexure A. You should read this report carefully.

(c) The Devine Share price may fall following completion of the Offer

The IBC believes that after the Offer has been completed or withdrawn it is likely that Devine Shares will trade below the Offer Price in the foreseeable future for the following reasons:

- in the three months prior to the announcement of the Offer, Devine Shares did not trade at prices above \$0.675;
- the three month VWAP at the close of trading on 9 November 2015 was \$0.612; and
- the closing price of the Devine Shares on 9 November 2015 was \$0.605.

As such, following the completion of the Offer, it is likely that the Devine share price will at least revert back to levels prior to the Offer, and potentially lower, particularly given the earnings downgrade announced on 1 December 2015.

(d) Devine Shares may be more illiquid following close of the Offer

The reduction in ‘free float’ that will occur if CIMIC substantially increases its majority shareholding in Devine is likely to lead to a substantial reduction in the liquidity of the Devine Shares. This has been the case in other ASX listed entities where shareholders have taken majority control or further increased their existing level of majority control of the particular entity. Depending on the level of acceptances under the Offer, the liquidity of Devine Shares may be substantially reduced, which may adversely affect the value at which Devine Shareholders are able to dispose of Devine Shares in the future.

Devine Shareholders should also note that CIMIC will have the ability to continue acquiring Devine Shares on ASX at the prevailing market price in compliance with section 611 of the Corporations Act from the date that is six months (and potentially earlier) after the end of the Offer Period, with a limit of 3% in any six month period, without making a takeover offer for those Devine Shares. Ultimately, if CIMIC increases its shareholding in Devine to 90% or more on a fully diluted basis, it will be able to compulsorily acquire the remaining Devine Shares at fair market value.

If Brazil Farming Pty Ltd, as holder of 14.3% of the Devine Shares as at 7 December 2015, does not accept the Offer, CIMIC will not be able to proceed to compulsory acquisition but may, if other conditions are met, seek to remove Devine from the Official List of ASX.

(e) CIMIC is seeking to make unspecified changes to Devine’s business strategy, to reconstitute Devine’s Board and to appoint a new Chief Executive Officer

The Bidder’s Statement outlines CIMIC’s intentions with respect to Devine.

Regardless of acceptance of the Offer, CIMIC intends to:

- reconstitute the Devine Board;
- conduct a strategic review of Devine’s businesses;
- appoint a new Chief Executive Officer to lead the new strategy; and

- seek to procure the removal of Devine from the Official List of ASX (see Section 4.13 for further discussion on the implications of a delisting for Devine Shareholders).

Importantly, the strategic review may result in changes to the structure of the business, including the management of businesses, the number and functions of employees and the divestment of certain assets or businesses.

These are significant changes which will fundamentally affect the nature and operations of Devine. The Bidder's Statement does not explain what changes CIMIC may seek to implement as a result of the proposed strategic review. The lack of clarity with regard to the strategy going forward creates significant uncertainty with regard to the future earnings potential and risk profile of Devine.

(f) CIMIC may be able to exercise greater influence over Devine following close of the Offer

If CIMIC increases its majority shareholding in Devine to 75% or more in the Offer, CIMIC will be able to unilaterally ensure the passage of a special resolution at a general meeting of Devine. Even if CIMIC holds less than 75% of the Devine Shares at the close of the Offer, but has substantially increased its majority shareholding in Devine, CIMIC may gain effective control of 75% or more of votes at a general meeting of Devine because some Devine Shareholders choose not to or are unable to vote at general meetings. The ability to unilaterally pass a special resolution would enable CIMIC to, amongst other things, amend Devine's Constitution.

(g) Uncertain that a superior competing proposal would succeed

During 2015, Devine has received a number of conditional, non-binding proposals to acquire all of the Devine Shares. These proposals have all been conditional on CIMIC supporting the proposal, given that acquiring CIMIC's 50.63% shareholding would be necessary to achieve control of Devine.

Devine engaged with CIMIC around these proposals to understand CIMIC's position. In the case of a conditional proposal received in May 2015, CIMIC advised that it would not support that proposal at \$0.885 cash per Devine Share. In the case of an indicative, non-binding and conditional proposal received in November 2015 (after CIMIC's announcement of its intention to make the Offer) for \$0.90 cash per share, CIMIC provided a response that did not evidence the required level of support necessary for the proposing party to proceed.

As such, none of the proposals received have been able to be progressed to be put to Devine Shareholders for consideration or acceptance. There can be no assurance that CIMIC will support any proposal or transaction as an alternative to the Offer. It is therefore highly uncertain that a future superior competing proposal conditional on CIMIC's support would succeed.

(h) There will be a number of disadvantages for Devine Shareholders if Devine is delisted in the future

CIMIC has stated that it intends to procure the delisting of Devine. The conditions on which CIMIC may be permitted to do so will depend in part on CIMIC's holdings of Devine Shares following close of the Offer. See Section 4.13 for details.

A delisting would result in a number of disadvantages for Devine Shareholders. The disadvantages include:

- while the IBC acknowledges that there is generally low liquidity in the Devine Shares, a listing nonetheless provides a benefit for most Devine Shareholders by providing a means to dispose of their Devine Shares (irrespective of whether or not that means is used from time to time). If Devine is delisted, minority Devine

Shareholders will be deprived of any real opportunity to sell their Devine Shares from time to time. Listing provides Devine Shareholders with an orderly, transparent and timely mechanism for share trading;

- Devine would not be subject to the ASX Listing Rules including continuous disclosure requirements. Devine would still be required to disclose material information to ASIC if it remained a public company following delisting and had at least 100 members, however the level of shareholder reporting in these circumstances could be significantly diminished; and
- various requirements and protections for minority shareholders under the ASX Listing Rules would cease to apply. These include restrictions relating to the issuance of new securities, related party provisions and requirements to seek shareholder approval for significant changes to the nature or scale of activities.

The principal benefit to Devine Shareholders from a delisting is a saving of costs and overheads associated with Devine maintaining a listed status. The level of savings will be dependent on Devine's corporate status and changes to the composition of the Devine Board and management team.

(i) **Uncertainty of future financing arrangements**

The real estate investment and development industry tends to be highly capital intensive. Devine may in the future need to raise additional equity or debt funding to:

- refinance existing debt;
- meet working capital requirements and build cash reserves;
- provide development and project funding; and
- fund acquisitions and joint ventures.

As the holder of 50.63% of the Devine Shares, CIMIC's support or participation may in some cases be required to obtain this funding. There can be no assurance that CIMIC will support or participate in any debt or equity funding arrangements in the future.

The Multi-Option Facility is scheduled to mature in August 2016. There is no certainty that the lender under the Multi-Option Facility will provide an extension of the Multi-Option Facility beyond this date, that alternative funding will be found or that CIMIC will support any alternative funding arrangement.

Further, under the Multi-Option Facility, Devine is required to comply with certain financial and other covenants (including a maximum loan to value ratio, a net debt to EBITDA ratio and an interest coverage ratio). Devine has recently held discussions with the lender under the Multi-Option Facility regarding Devine's compliance with these covenants and the testing dates of the covenants have been deferred to 31 December 2015. There can be no assurance that Devine will satisfy any or all of the covenants by the revised testing dates or that the lender under the Multi-Option Facility will agree to further extend any testing date. In this case, if the failure is not waived or otherwise remedied to the lender's satisfaction, the lender may declare amounts owing under the facility to be payable on demand or immediately due for payment.

1.4 Possible reasons you may choose not to accept the Offer

Some possible reasons why Devine Shareholders may choose not to accept the Offer include:

- (a) Devine Shareholders will lose exposure to any upside in Devine;
- (b) it is possible that CIMIC would prefer 100% ownership and may return with a new offer at a higher price at a later time should CIMIC not achieve thresholds required for

compulsory acquisition under the Offer. There can be no assurance that CIMIC will obtain a relevant interest in at least 90% of the Devine Shares during the Offer Period;

- (c) accepting the Offer may trigger tax consequences for some Devine Shareholders; and
- (d) you may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that the value of the Offer is inadequate.

2 Frequently asked questions

This Section 2 answers some commonly asked questions in relation to the Offer. It is not intended to address all relevant issues for Devine Shareholders. This Section 2 should be read together with the rest of this Target's Statement.

Question	Answer
Offer	
Who is making the Offer?	<p>The bidder under the Offer is CRI. CRI owns 50.63% of Devine.</p> <p>CRI is a wholly owned subsidiary of ASX-listed CIMIC Group Limited (formally known as Leighton Holdings Limited), which provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets.</p> <p>For the purposes of this Target's Statement, CIMIC refers to CRI together with CIMIC Group Limited.</p>
What is the Offer?	<p>CIMIC is offering \$0.75 cash for each Devine Share you hold.</p> <p>CIMIC has agreed to vary the Offer by increasing the consideration payable under the Offer to all Devine Shareholders who accept the Offer, from \$0.75 to \$0.81 in cash per Devine Share if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue. Certain press reports have suggested that a significant Devine Shareholder would not accept the Offer. Devine has not been able to verify the accuracy of these reports. Given these reports, there is uncertainty as to whether CIMIC will obtain a relevant interest in at least 90% of the Devine Shares on issue.</p>
Do I receive the increased Offer Price if I have already accepted the Offer?	<p>If you accept the Offer and the Offer Price is subsequently increased, you will be entitled to receive the increased consideration.</p> <p>If you sell your Devine Shares independently of the Offer you will not be eligible for the benefit of any increase in the Offer Price.</p>
Does the Offer extend to my Devine Options and Devine Share Rights?	<p>The Offer extends to persons who become registered, or entitled to be registered, as the holder of Devine Shares during the Offer Period due to the conversion of, or exercise of rights attached to, securities convertible into or which entitle participants to receive Devine Shares (being Devine Options or Devine Share Rights) which are on issue on the Register Date.</p>
What are the Conditions to the Offer?	<p>CIMIC has agreed to free the Offer from any Conditions within one Business Day of the date of this Target's Statement.</p>

Question	Answer
What impact does the Offer have on dividends and other Rights?	<p>CIMIC will be entitled to all Rights declared, paid, made, or which arise or accrue after the Announcement Date in respect of the Accepted Shares that it acquires pursuant to the Offer.</p> <p>If any Rights are declared, paid, made or arise or accrue in cash after the Announcement Date in respect of the Accepted Shares to the holders of the Accepted Shares, CIMIC will (provided the same has not been paid to CIMIC) be entitled to reduce the consideration specified in section 9.2 of the Bidder's Statement and payable by it to the holders of the Accepted Shares by an amount equal to the value of such Rights.</p> <p>If any non-cash Rights are issued or made or arise or accrue after the Announcement Date in respect of the Accepted Shares to the holders of the Accepted Shares, CIMIC will (provided the same has not been issued to CIMIC) be entitled to reduce the consideration specified in section 9.2 of the Bidder's Statement and payable by it to holders of the Accepted Shares by an amount equal to the value (as reasonably assessed by the Chairman of ASX or his or her nominee) of such non-cash Rights.</p>
What are the consequences of accepting the Offer now?	<p>Once you accept the Offer in respect of all of your Devine Shares, you will not be able to sell those Devine Shares or otherwise deal with the Rights attaching to those Devine Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p>
When will I be paid if I accept the Offer?	<p>If you accept the Offer, you will be paid the Offer Price as set out in Section 4.15.</p>
When does the Offer close?	<p>The Offer is presently scheduled to close at 7.00pm (AEDT) on 29 December 2015 unless withdrawn or extended.</p>
Can the Offer Period be extended?	<p>Subject to the Corporations Act as modified by ASIC Class Order 13/521, CIMIC may extend the Offer Period. In addition, the Offer Period may be extended automatically in certain circumstances (that is, if within the last 7 days of the Offer Period, the Offer is varied to improve the consideration offered).</p> <p>Devine Shareholders should not assume that the Offer will be extended.</p>
Recommendation	
What do your Independent Directors recommend?	<p>Your Independent Directors unanimously recommend that you accept the Offer.</p> <p>The reasons for your Independent Directors' recommendation is detailed in Section 1.</p>
What do the Independent Directors intend to do with their Devine	<p>The Independent Directors each intend to ACCEPT the Offer in respect of their personal shareholdings in Devine in</p>

Question	Answer
Shares?	<p>the absence of a superior proposal, in relation to those Devine Shares.</p> <p>As at the date of this Target's Statement, the Independent Directors do not expect a superior proposal to eventuate.</p>
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Offer is not fair but reasonable.</p> <p>The Independent Expert's Report accompanies this Target's Statement as Annexure A.</p>
What should I do?	<p>Your Independent Directors unanimously recommend that you ACCEPT the Offer.</p> <p>You may wish to seek independent financial and taxation advice from your professional adviser in relation to the action that you should take in relation to the Offer and your Devine Shares.</p>
Your choices	
What choices do I have as a Devine Shareholder?	<p>As a Devine Shareholder, you have the choice to:</p> <ul style="list-style-type: none"> • ACCEPT the Offer in respect of all of the Devine Shares that you hold at the time of acceptance; or • sell all or some of your Devine Shares independently of the Offer on ASX (unless you have already accepted the Offer for your Devine Shares and have not validly withdrawn your acceptance); or • reject the Offer by doing nothing. <p>If you accept the Offer, you will be agreeing to transfer all (and not some) of the Devine Shares that you hold to CIMIC.</p> <p>There are several tax implications in relation to each of the above choices. A summary of these implications is set out in Section 6.</p> <p>Your Independent Directors unanimously recommend that you accept the Offer.</p>
How do I accept the Offer?	To accept the Offer, you must follow the instructions in section 1.2 of the Bidder's Statement.
Can I accept the Offer for only part of my holding of Devine Shares?	No, you can only accept the Offer for all of your Devine Shares.
When do I have to make a decision?	CIMIC has stated that the Offer remains open until 7.00pm (AEDT) on 29 December 2015 (unless extended). It is possible that CIMIC may choose to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances (that is, if within the last seven days of the

Question	Answer
	Offer Period, the Offer is varied to improve the consideration offered).
Other	
What is the Bidder's Statement?	<p>The Bidder's Statement is the document prepared by CIMIC containing the terms of the Offer in detail and information important to your decision on whether to accept or reject the Offer.</p> <p>You should have already received the Bidder's Statement. If you do not have a copy, contact the CIMIC Offer Information Line on 1300 362 398 (for calls made within Australia) or +612 8355 1004 (for calls made from outside Australia) from Monday to Friday between 9:00am and 5:00pm (AEDT).</p>
What is the Target's Statement?	This Target's Statement has been prepared by Devine and provides Devine's response to the Offer.
What will happen if CIMIC further increases its Offer Price?	<p>If CIMIC further increases the Offer Price, the Independent Directors will carefully consider the revised offer and advise you accordingly.</p> <p>If CIMIC further increases the Offer Price under the Offer, all Devine Shareholders (whether or not they have accepted the Offer before that occurs) will be entitled to the benefit of the increased Offer Price. However, this improvement in Offer Price would not be available to Devine Shareholders who have already sold their Devine Shares on ASX.</p>
What happens if I accept the Offer and a superior proposal is made for my Devine Shares after I accept?	<p>If you accept the Offer, you will not be able to withdraw your acceptance.</p> <p>Accordingly, if you accept the Offer, you may be unable to accept a superior proposal if one arises. At this time, the Directors do not know if such an offer will arise.</p>
Can I be forced to sell my Devine Shares?	You cannot be forced to sell your Devine Shares unless CIMIC proceeds to compulsory acquisition of Devine Shares. CIMIC will need to acquire at least 90% of Devine Shares (under the Offer or otherwise) in order to exercise compulsory acquisition rights.
What are the tax implications of accepting the Offer?	<p>A general description of the taxation treatment for certain Australian resident Devine Shareholders accepting the Offer is set out in Section 6 of this Target's Statement and section 7 of the Bidder's Statement. You should not rely on those descriptions as advice for your own affairs.</p> <p>You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your Devine Shares. You may, for example, be liable for capital gains tax.</p>
Can I sell my Devine Shares on market?	You can sell your Devine Shares on market unless you have accepted the Offer in respect of those Devine Shares.

Question	Answer
	<p>If you sell your Devine Shares on market:</p> <ul style="list-style-type: none"> • you will not benefit from any possible increase in the value of Devine Shares; and • you will not benefit from any possible increase in the consideration that may be provided under the Offer or any other offer, should one be made.
How can I get updates on the Devine Share price?	If you have access to the internet, you can receive updates by visiting the ASX website at www.asx.com.au .
Who should I call if I have any questions?	<p>Devine has established a Shareholder Information Line for Devine Shareholders in relation to the Offer. The telephone number is 1300 393 217 (within Australia), and +61 3 9415 4037 (outside Australia). It is available from Monday to Friday between 8.30am and 5.00pm (AEDT).</p> <p>Announcements made to ASX by Devine and other information relating to the Offer can be obtained from Devine's website at www.devinegroup.com.au/.</p>

3 Your choices as a Devine Shareholder

As a Devine Shareholder, you have three options currently available to you. Your Independent Directors unanimously recommend that you **ACCEPT** the Offer. You are encouraged to read this Target's Statement in full, together with the Independent Expert's Report, and seek appropriate financial, tax or other professional advice if you are unsure what you should do in response to the Offer.

Option 1 ACCEPT the Offer	<p>You may choose to accept the Offer for your Devine Shares. You are only able to accept the Offer in respect of all of the Devine Shares that you hold at the time of acceptance. Your Independent Directors unanimously recommend that you accept the Offer.</p> <p>CIMIC is offering \$0.75 in cash for each Devine Share you hold. If, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue, the consideration payable under the Offer to all Devine Shareholders who accept the Offer, will increase from \$0.75 to \$0.81 in cash per Devine Share.</p> <p>The consequences of accepting the Offer are discussed in section 9.6 of the Bidder's Statement and the circumstances in which acceptances of the Offer may be withdrawn are discussed in Section 4.6. If you accept the Offer, you will not be able to sell any of your Devine Shares.</p>
Option 2 Sell your Devine Shares independently of the Offer	<p>You can sell your Devine Shares independently of the Offer if you have not accepted the Offer.</p> <p>If you sell your Devine Shares independently of the Offer, you:</p> <ul style="list-style-type: none">(a) will not receive the benefits of any potential higher offer from CIMIC or any potential higher competing offer for Devine Shares if one were to be made;(b) may incur a brokerage charge; and(c) may be liable for goods and services tax on incidental costs associated with the sale (such as the brokerage charge).
Option 3 Reject the Offer	<p>If you do not wish to accept the Offer or do not wish to sell any of your Devine Shares you should take no action.</p> <p>If you choose not to accept the Offer, CIMIC will not be able to acquire your Devine Shares unless CIMIC has acquired a relevant interest in at least 90% of all Devine Shares on issue at the end of the Offer Period. In that event, CIMIC will become entitled to, and CIMIC has stated its current intention is to, compulsorily acquire all Devine Shares. See Section 4.9 for further information regarding compulsory acquisition. If, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue, the consideration payable under the Offer, to all Devine Shareholders who accept the Offer will increase from \$0.75 to \$0.81 in cash per Devine Share.</p> <p>If your Devine Shares are compulsorily acquired, you will receive the consideration payable to you at a later time than those Devine Shareholders that accept the Offer.</p> <p>In addition, if you choose not to accept the Offer and CIMIC does not hold a relevant interest in at least 90% of all Devine Shares on issue by the end of the Offer Period, you will be exposed to the risks associated with being a minority Devine Shareholder. Some of these risks are explained in Sections 4.12 and 4.14.</p>

4 Information about CIMIC, the Offer and other important issues

4.1 Profile of CIMIC

CRI is a wholly owned subsidiary of CIMIC Group Limited. CRI holds a 50.63% interest in Devine Shares.

CIMIC is listed on ASX and has a market capitalisation of approximately \$9.23 billion as at the close of trading on 9 November 2015.

CIMIC, previously known as Leighton Holdings Limited, was listed on ASX in 1962 with its head office in Sydney. CIMIC provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets.

4.2 Summary of the Offer

Devine Shareholders are being offered cash consideration of \$0.75 per Devine Share. CIMIC has agreed to increase the consideration payable under the Offer to all Devine Shareholders who accept the Offer, to \$0.81 in cash per Devine Share, if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue.

Under the terms of the Offer, the amount of consideration you receive from CIMIC will be reduced by the amount or value of any Rights attaching to the Devine Shares in respect of which the Offer is accepted which arise or are paid on or after the Announcement Date, which CIMIC does not receive. See section 9.7 of the Bidder's Statement for more information on this.

CIMIC has not declared the Offer to be final. Accordingly, CIMIC may increase the Offer Price, for example, in the event of an alternative proposal being announced by another party. If CIMIC further increases the Offer Price, the Corporations Act entitles any Devine Shareholder who has already accepted the Offer to receive the increased Offer Price from CIMIC.

The Offer is made to each person registered as a holder of Devine Shares on the register of Devine as at the Register Date and extends to:

- (a) holders of securities (including Devine Options and Devine Share Rights) that are on issue at the Register Date who become registered or entitled to be registered as the holder of Devine Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities; and
- (b) any other person who becomes registered as the holder of Devine Shares during the Offer Period.

CIMIC is offering to acquire all of your Devine Shares. Accordingly, you may only accept the Offer in respect of all of your Devine Shares at the time of your acceptance.

4.3 Conditions to the Offer

The Offer is subject to a number of Conditions which are set out in section 9.8 of the Bidder's Statement. CIMIC has agreed to free the Offer from any Conditions on or before 10 December 2015.

4.4 Offer Period

Unless the Offer is extended or withdrawn, it is open for acceptance until 7.00pm (AEDT) on 29 December 2015.

The circumstances in which CIMIC may extend or withdraw the Offer are set out in Sections 4.5 and 4.6 respectively.

4.5 Extension of the Offer Period

CIMIC may extend the Offer Period at any time, before the end of the Offer Period, CIMIC has no obligation to voluntarily extend the Offer Period and may elect not to do so.

Further, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period CIMIC improves the Offer Price. If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

The maximum duration of the Offer Period is 12 months.

4.6 Withdrawal of the Offer

CIMIC may not withdraw the Offer if you have already accepted it. Before you **ACCEPT** the Offer, CIMIC may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

4.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 9.6 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Devine Shares and the representations and warranties which you give by accepting the Offer.

If you accept the Offer, some of the consequences include the following:

- (a) you will give up your rights to sell your Devine Shares on ASX (or any other trading platform) or otherwise deal with them while the Offer remains open (this would prevent you from accepting any superior proposal from another party that may emerge); and
- (b) you will relinquish control of your Devine Shares.

By accepting the Offer, you agree to each of the matters in section 9.6 of the Bidder's Statement. These matters include you agreeing that:

- (a) your Devine Shares are fully paid and CIMIC will acquire good title to them and full beneficial ownership of them free from all encumbrances, interests of third parties of any kind (whether legal or otherwise) and restrictions on transfer; and
- (b) when CIMIC frees the Offer from Conditions, the contract resulting from your acceptance of the Offer becomes unconditional (even though CIMIC has not yet paid or provided the consideration to you) and you irrevocably appoint CIMIC as your attorney to exercise all powers and rights that you have as the registered holder of your Devine Shares, including the right to attend any meeting of Devine Shareholders and vote in respect of your Devine Shares (with such appointment terminating on the registration of CIMIC as the holder of your Devine Shares).

4.8 Superior proposal

If you accept the Offer, you may forfeit the opportunity to benefit from any better offer made by another bidder for your Devine Shares, if such an offer eventuates.

Devine is not aware of any other takeover offer which may be made or announced for the Devine Shares. Should another takeover offer be announced during the Offer Period, Devine will issue a supplementary target's statement to Devine Shareholders.

4.9 Compulsory acquisition

CIMIC has stated in section 4.2 of the Bidder's Statement that if CIMIC becomes entitled to proceed to compulsorily acquire Devine Shares in accordance with the Corporations Act, it

intends to do so (although CIMIC has not made any determination as to when it would proceed with compulsory acquisition of the remaining Devine Shares under the Corporations Act).

(a) Following Offer

Under Part 6A.1 of the Corporations Act, CIMIC will be able to compulsorily acquire any outstanding Devine Shares for which it has not received acceptances on the same terms as the Offer if during, or at the end of, the Offer Period, CIMIC:

- has a relevant interest in at least 90% of all Devine Shares; and
- has acquired at least 75% of all Devine Shares for which CIMIC has made an Offer.

If these thresholds are met, CIMIC will have until one month from the end of the Offer Period to give compulsory acquisition notices to Devine Shareholders who have not accepted the Offer. CIMIC has agreed to increase the consideration payable under the Offer to all Devine Shareholders who have accepted the Offer, from \$0.75 to \$0.81 in cash per Devine Share, if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue.

(b) Future compulsory acquisition

If CIMIC does not become entitled to compulsorily acquire Devine Shares in accordance with the above procedures, it may nevertheless subsequently become entitled to exercise general compulsory acquisition rights in relation to the Devine Shares under Part 6A.2 Division 1 of the Corporations Act.

Broadly, CIMIC will be entitled to compulsorily acquire all outstanding Devine Shares if CIMIC and its related bodies corporate have a full beneficial interest in at least 90% of all the Devine Shares on issue.

Compulsory acquisition notices must be lodged within six months after CIMIC becomes a 90% holder pursuant to these provisions.

CIMIC's price for compulsory acquisition under this procedure would have to be considered in a report by an independent expert.

Devine Shareholders may challenge any compulsory acquisition, but this would require the court to be satisfied that the terms of the Offer do not represent fair value for the Devine Shares. If Devine Shares are compulsorily acquired, Devine Shareholders are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

4.10 Devine Shares issued upon exercise of Devine convertible securities

If CIMIC proceeds to compulsory acquisition:

- CIMIC must acquire the Devine Shares issued on exercise of Devine Options and Devine Share Rights before the end of the Offer Period;
- CIMIC may elect to acquire the Devine Shares issued on exercise of Devine Options and Devine Share Rights after the Offer Period has expired but before the compulsory acquisition notice is issued; and
- CIMIC may elect to acquire the Devine Shares issued on exercise of Devine Options and Devine Share Rights within six weeks after the compulsory acquisition notice is issued.

If CIMIC and its associates achieve a relevant interest in at least 90% of the Devine Shares on issue by the end of the Offer Period, holders of Devine Options and holders of Devine Share

Rights will have the right to have their Devine Options and Devine Share Rights respectively bought by CIMIC for fair value under Division 3 of Part 6A.1 of the Corporations Act.

4.11 CIMIC's intentions following conclusion of the Offer

The Bidder's Statement states that CIMIC's intentions following the conclusion of the Offer and irrespective of CIMIC's level of shareholding in Devine at that time are to:

- (a) reconstitute the Devine Board;
- (b) conduct a strategic review of Devine's businesses in order to preserve asset values for the mid to long term for all Devine Shareholders; and
- (c) appoint a new Chief Executive Officer to lead the new strategy.

The Bidder's Statement also states that CIMIC will seek to procure the removal of Devine from the Official List of ASX, which will depend on the spread and volume of Devine Shareholders remaining. If delisting occurs, Devine Shares will not be able to be bought or sold on ASX. See Section 4.13 for more details on ASX delisting.

Please refer to section 4.2 of the Bidder's Statement for further information regarding CIMIC's intentions following the completion of the Offer.

4.12 Consequences of CIMIC acquiring less than 90% of all the Devine Shares on issue

As at the date of this Target's Statement, CRI has a relevant interest in 50.63% of the Devine Shares. Accordingly, CIMIC is a majority shareholder and this puts CIMIC in a position to cast the majority of votes at a general meeting of Devine. This enables CIMIC to control the composition of the Devine Board and senior management, and control the strategic direction of the business of the Devine Group.

If CIMIC receives acceptances under the Offer constituting less than 90% of all Devine Shares then, assuming all Conditions are fulfilled or waived, Devine Shareholders who do not accept the Offer will continue to be minority Devine Shareholders. This has a number of potential implications, including:

- (a) CIMIC may pursue the intentions which it has set out in section 6.2 of the Bidder's Statement. To the extent that CIMIC increases its majority shareholding in Devine, Devine Shareholders should note that CIMIC may have the capacity to exert greater influence over the manner in which Devine's business is conducted;
- (b) if CIMIC substantially increases its majority shareholding in Devine, this is likely to lead to a substantial reduction in the liquidity of Devine Shares, and there is a risk that Devine could be removed from certain market indices due to lack of spread, free float or liquidity. This may adversely affect the value at which Devine Shareholders are able to dispose of Devine Shares in the future;
- (c) a possible impact on Devine's financing arrangements and material contracts, as described in more detail in Section 4.14; and
- (d) if and when entitled to do so, CIMIC may proceed with the compulsory acquisition of all convertible securities (including Devine Options and Devine Share Rights) in accordance with the relevant provisions of the Corporations Act.

In addition, if CIMIC has 75% or more of all the Devine Shares on issue, it will be able to pass a special resolution of Devine. This would enable CIMIC, among other things, to change Devine's constitution.

If the Offer lapses, or if CIMIC acquires less than 90% of the Devine Shares on issue and Devine remains listed on ASX, the trading price of Devine Shares may be higher or lower than the Offer Price. If you remain a Devine Shareholder in this circumstance, you will have the opportunity to

participate in the future potential of Devine's business, but you will be subject to the associated risks.

4.13 ASX delisting

CIMIC has stated that, at the end of the Offer Period, CIMIC will seek to arrange for Devine to be removed from the Official List of ASX (see section 4.2 of the Bidder's Statement). ASX is not required to act on an entity's request for removal from the official list and may require conditions to be satisfied before it does so.

In January 2014, ASX released Guidance Note 33 *Removal of Entities from the ASX Official List* ("GN33") which sets out ASX's policy in relation to requests for removal from the Official List of ASX. GN33 states ASX will use its discretion to ensure that a removal is being sought for acceptable reasons. Unacceptable reasons include where the removal is being sought to deny minority security holders a market for their securities in order to coerce them into accepting an offer to buy out their securities.

ASX has indicated that the conditions it would usually apply to a request for removal from the official list following a 'successful' takeover bid are:

- (a) the bidder and its related bodies corporate must own or control at least 75% of the entity's securities but have not met the conditions for compulsory acquisition under the Corporations Act;
- (b) excluding the bidder and its related bodies corporate, the number of security holders having holdings with a value of at least \$500 (being a marketable parcel) is fewer than 150;
- (c) the bidder foreshadowed in its bidder's statement that it intended, if it secured control, to cause the target to apply for removal;
- (d) the takeover bid remained open for at least two weeks following the bidder and its related bodies corporate having attained ownership or control of at least 75% of the securities; and
- (e) the target has applied for removal no later than one month after the close of the bid.

If these conditions are not met, and the entity has been the subject of a takeover bid in the preceding 12 months, ASX will require security holder approval of a proposed removal – with such approval to be by way of ordinary resolution on which CIMIC is excluded from voting. Where more than 12 months have elapsed since the close of the takeover bid, ASX has indicated in its Guidance Note that it will generally permit the bidder to vote on a resolution approving the target's removal from the Official List of ASX.

4.14 Impact on Devine's financing arrangements

Set out below is an overview of the relevant material impacts of the Offer on Devine's financing arrangements. The information has been included in this Target's Statement because it may impact the future prospects of Devine which would be relevant to any Devine Shareholders who might remain Devine Shareholders.

(a) RMBL facility arrangements

Under the facility arrangements with RMBL Investments Limited ("RMBL") for the Pennyroyal, Wallan and Stonehill projects, it is an event of default under each Loan Agreement with RMBL where, in RMBL's opinion, there is any change in Devine's ownership or control or any change in Devine's activities which could adversely affect the ability of Devine to meet its obligations under the Loan Agreement or any security granted as security for the payment of moneys owing under the Loan Agreement. An event of default entitles RMBL to accelerated repayment under the Loan Agreements.

In addition, the securities granted to RMBL include certain Deeds of Charge granted by Devine's subsidiaries (or its joint venture partners) in connection with those Loan Agreements, under which RMBL is entitled to exercise a number of powers following occurrence of an event of default including transferring or surrendering the property of the relevant grantor to any person. An event of default under the Deeds of Charge include a default under the Loan Agreement entitling RMBL to accelerated repayment and a change in ownership or control of Devine without the prior written consent of RMBL.

The concepts of "ownership" and "control" are not defined and the opinion of RMBL in relation to the consequence is entirely subjective. Consequently, RMBL may allege that CIMIC's acquisition of Devine Shares in the Offer constitutes a change in Devine's ownership or control. While Devine does not think this is correct, the broad definitions of events of default, both under the facility agreements and the security documents, may be interpreted to capture the Offer.

(b) **Bendigo and Adelaide Bank Facility Agreement**

Under the facility arrangement with Bendigo and Adelaide Bank Limited ("**Bendigo Bank**") for the Stonehill project, it is an event of default under the Facility Agreement where, in Bendigo Bank's reasonable opinion, there is a change in the persons who control Devine or the ownership of Devine. Following the occurrence of an event of default, Bendigo Bank may exercise a number of powers including accelerated repayment, termination of the facilities provided and/or termination of any transaction or arrangement entered into by Bendigo Bank at or with the request or consent of the borrower.

The concepts of "ownership" and "control" are not defined and the opinion of Bendigo Bank in relation to the consequence is entirely subjective. Consequently, Bendigo Bank may allege that CIMIC's acquisition of Devine Shares in the Offer constitutes a change in Devine's ownership or control. While Devine does not think this is correct, the broad definitions of events of default, both under the facility agreements and the security documents, may be interpreted to capture the Offer.

(c) **NAB Facility Agreement**

Under the facility arrangement with National Australia Bank Limited ("**NAB**") for the Mode project, it is an event of default under the Facility Agreement where any change in the "control" of Devine occurs. "Control" is as defined in section 50AA of the Corporations Act, which considers the practical influence that a shareholder can exert (rather than the rights it can enforce) and any practice or pattern of behaviour. The occurrence of an event of default entitles NAB to accelerated repayment and enforcement of associated securities.

To the extent that CIMIC exercises greater day-to-day control over Devine, following the Offer Period, in order to implement its intended strategic review of Devine's business, it could be argued (although Devine does not think this is correct) that CIMIC will exercise control (in the sense of section 50AA of the Corporations Act) where previously it did not.

4.15 Payment

If you accept the Offer on or prior to the presently scheduled closing date of 7.00pm (AEDT) on 29 December 2015, you will be paid the Offer Price as follows:

If CIMIC obtains, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue prior to the presently-scheduled closing of the Offer at 7.00pm (AEDT) on 29 December 2015, you will be paid \$0.81 cash per Devine Share. If CIMIC has not obtained, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue prior to the presently-scheduled closing of the Offer at 7.00pm (AEDT) on 29

December 2015, and the Offer is not extended, you will be paid \$0.75 cash per Devine Share. In either of those cases, you will be paid the consideration for your Devine Shares as follows:

- (a) if you have already accepted the Offer, or accept the Offer before CIMIC frees the Offer of the Conditions, you will be paid within one month after the date on which CIMIC frees the Offer of the Conditions; or
- (b) if you accept the Offer after CIMIC has freed the Offer of the Conditions, you will be paid by whichever is the earlier of one month after the date on which you accept the Offer or 21 days after the end of the Offer Period.

If CIMIC has not obtained, as a result of on-market acquisitions and/or receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue prior to the presently-scheduled closing of the Offer at 7.00pm (AEDT) on 29 December 2015, but does so during an extension of the Offer (if any), you will be paid \$0.75 cash per Devine Share as follows:

- (a) if you have already accepted the Offer, or accept the Offer before CIMIC frees the Offer of the Conditions, you will be paid within one month after the date on which CIMIC frees the Offer of the Conditions; or
- (b) if you accept the Offer after CIMIC has freed the Offer of the Conditions, you will be paid by whichever is the earlier of one month after the date on which you accept the Offer or 21 days after the end of the Offer Period (as extended),

and you will be entitled to receive an additional payment of \$0.06 cash per Devine Share from the time at which CIMIC obtains a relevant interest in at least 90% of the Devine Shares on issue.

5 Information in relation to Devine

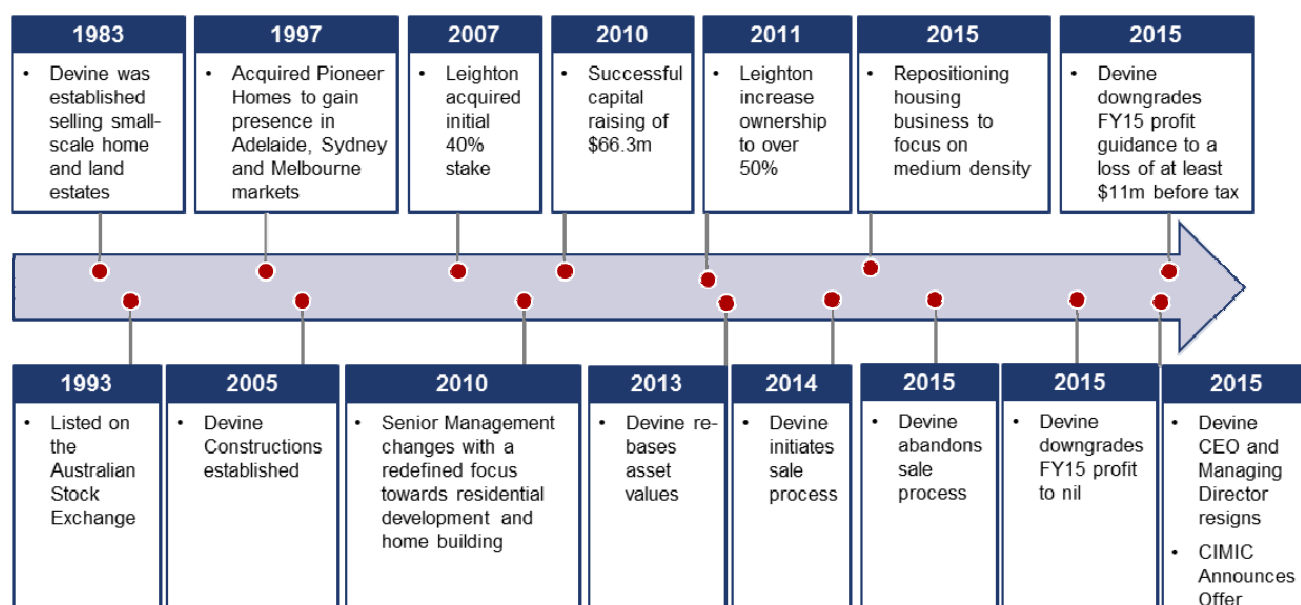
5.1 Devine profile

(a) Business overview

First established in 1983, Devine has been responsible for providing homes and apartments for more than 25,000 families throughout Australia. Devine listed on the ASX in 1993 and today, Devine is one of the most recognised brands in the Australian residential property sector. Devine's property experience extends across land development, home building, apartment and mixed-use projects as well as an in-house construction business. Operations are primarily focused in Queensland but are also established throughout Victoria and South Australia. As at 30 June 2015 Devine had a development pipeline of approximately 10,000 future dwellings across communities, integrated housing and apartments.

(b) History

Figure 1: Corporate timeline



(c) Divisional overview

Devine has established operations through three key divisions offering a vertically integrated development and construction capability as well as a highly diverse geographic portfolio of projects illustrated in Figure 2 below.

Figure 2: Overview of Devine’s key divisions

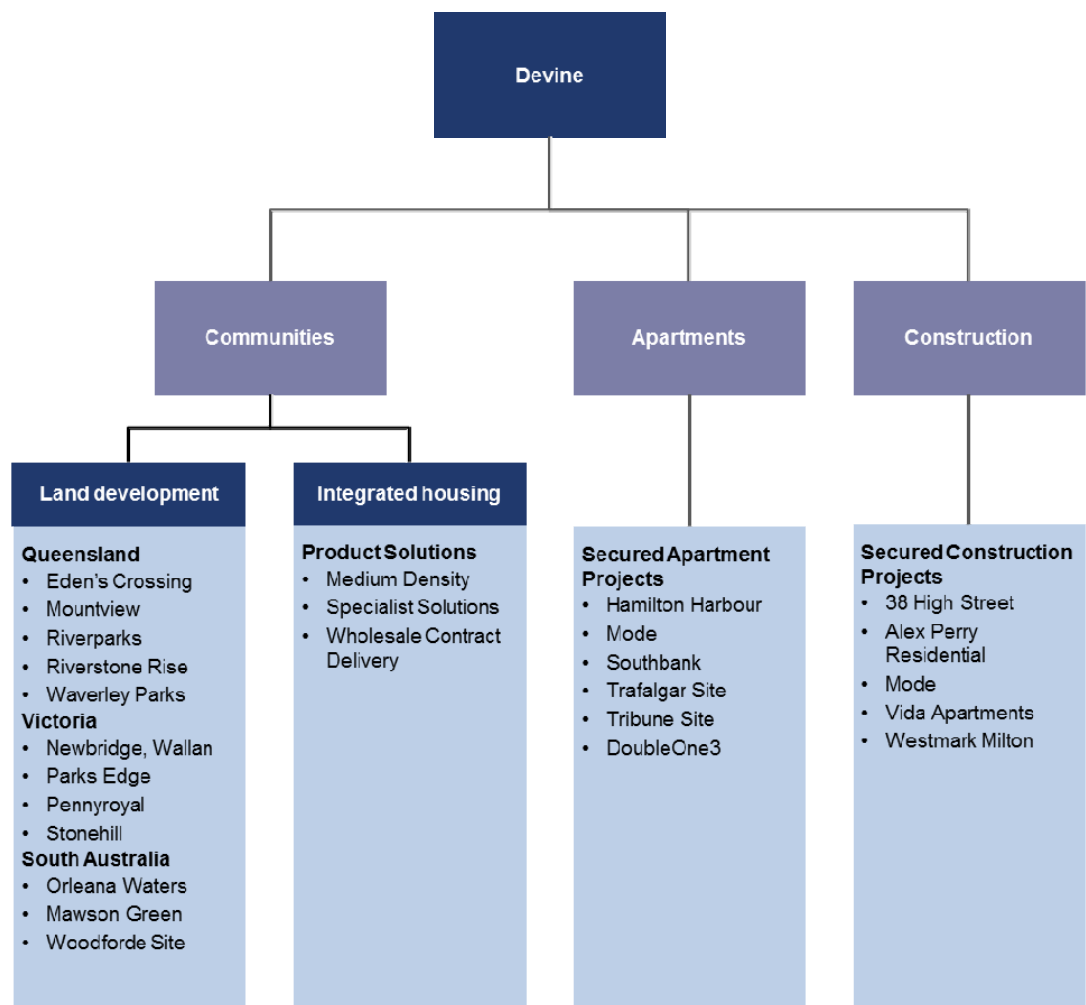
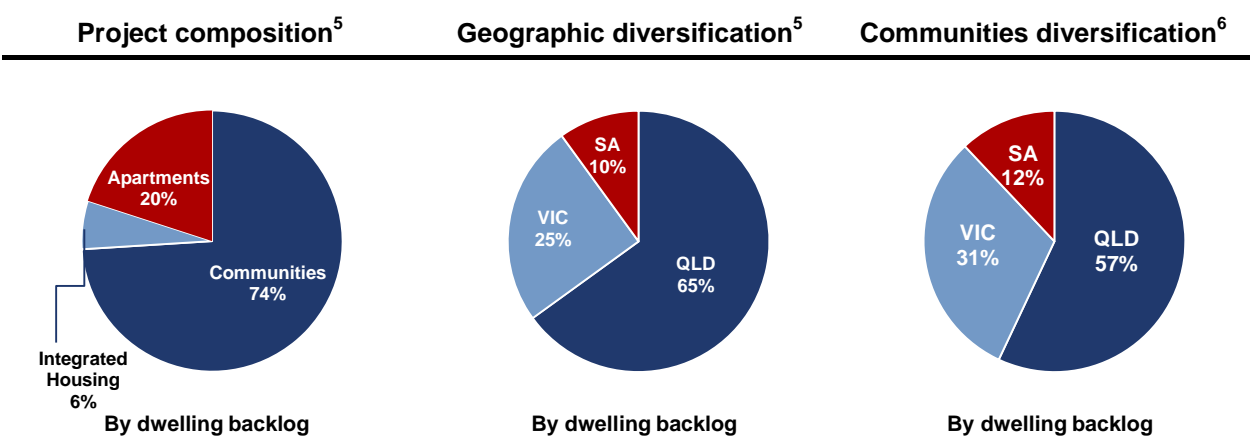


Figure 3: Snapshot of Devine’s projects



⁵ Based on communities, built form and apartment projects in current backlog at 30 June 2015, including 100% of dwellings in joint venture projects. Source: Devine
⁶ Based on communities and built form projects in current backlog at 30 June 2015, including 100% of dwellings in joint venture projects. Source: Devine

(d) **Communities**

Land development

- The Devine Communities business provides geographic exposure to 8 established corridors across Brisbane, Melbourne and Adelaide, and also has projects in Townsville and Gladstone in Queensland.
- The division generates revenue through the sale of individual land lots or house and land packages, with housing product packaged through either third party builder partners or Devine's integrated housing business.
- Strong relationships with authorities.
- Portfolio of 12 land projects with a backlog of approximately 7,400 lots as at 30 June 2015.
- In the 6 months to 30 June 2015, Devine achieved 403 land settlements.
- The division generates revenue through the sale of individual land lots or house and land packages, with housing product packaged through either third party builder partners or Devine's integrated housing business.

Pipeline summary for the Communities division (land development)

Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Expected completion ²
QLD	Eden's Crossing	Land	Owned	Ipswich	912	Now selling	2017+
	Mountview	Land	Owned	Ipswich	147	Now selling	2017
	Riverparks	Land	Owned	Townsville	523	Now selling	2017+
	Riverstone Rise	Land	Land mg'mnt	Gladstone	2,499	Now selling	2017+
	Waverley Parks	Land	Owned	Gold Coast Nth	108	Now selling	2016
	Other	Land	Owned	Various	4	Now selling	2015
VIC	Newbridge, Wallan	Land	Joint venture	Melb Regional	893	Englobo sale	2017+
	Parks Edge	Land	Joint venture	Melbourne Sth	234	Now selling	2016
	Pennyroyal	Land	Joint venture	Melbourne Nth-West	193	Now selling	2017
	Stonehill	Land	Joint venture	Melb Regional	1,185	Now selling	2017+
	Other	Land	Joint venture	Various	8	Now selling	2015
SA	Orleana Waters	Land	Land mg'mnt	Adelaide Nth	270	Now selling	2017+
	Mawson Green at Meadows	Land	Owned	Adelaide Hills	147	Now selling	2017+
	Woodforde Site	Land	Joint venture	Adelaide East	300	Planning	2017+
	Other	Land	Owned	Various	22	Now selling	2016
Total dwellings		7,445					

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

Integrated housing

- The business provides a platform to increase the volume of land sales for the Communities business and develop new housing solutions to maintain and extend Devine Homes' market reach.
- Following the re-positioning of the housing business, integrated housing focuses exclusively on medium density solutions. The balance of detached housing starts are expected to be substantially complete by the conclusion of 2015.

Pipeline summary for the Communities division (integrated housing)

Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Expected completion ²
QLD	Brookside	Built form	Owned	Ipswich	153	Planning	2017+
	Parkview Terraces	Built form	Owned	Gold Coast Nth	33	Now selling	2017
	Proximity	Built form	Owned	Ipswich	123	Now selling	2016
	The Junction Terraces	Built form	Owned	Ipswich	72	Planning	2017+
VIC	Essence Terrace Homes	Built form	Owned	Melbourne Sth-East	14	Now selling	2016
	Parklea Terraces	Built form	Owned	Melbourne Nth-West	4	Now selling	2016
SA	Hamilton Terraces	Built form	Owned	Adelaide North	9	Now selling	2016
	Robertson Terraces	Built form	Owned	Adelaide North	17	Planning	2016
	Seymour Terraces	Built form	Owned	Adelaide North	12	Now selling	2016
	Vicinity	Built form	Owned	Adelaide North	200	Planning	2017+
Total dwellings		637					

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

(e) **Apartments**

- Devine's apartment business encompasses both apartment and mixed use developments.
- The business unit has delivered 15 projects yielding approximately 3,900 apartments in Melbourne and Brisbane. Notable developments include Victoria Point Docklands in Melbourne and the Hamilton Harbour precinct in Brisbane.
- Apartments are typically sold off the plan in advance of construction commencement.
- The business utilises a variety of sales channels to connect with both investor and owner occupier purchasers.
- There are currently six projects at varying stages of planning, sales and delivery within the business. All current apartment projects are in Brisbane, and account for approximately 1,970 apartments.

Apartment projects									
Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Project lifecycle		
							2015	2016	2017+ ²
QLD	KSD 2, Hamilton Harbour	Apt	Joint venture	Brisbane	225	Planning	■	■	■
	DoubleOne 3	Apt	Joint venture	Brisbane	6	Completed	■		
	Mode Newstead	Apt	Joint venture	Brisbane	157	Now selling	■	■	■
	Southbank Townsville	Apt	Joint venture	Townsville	1,200	Planning	■	■	■
	Trafalgar Site	Apt	–	Brisbane	235	Planning	■	■	■
	Tribune Site	Apt	–	Brisbane	150	Planning	■	■	■
Total dwellings					1,973 dwellings				

■ Completion ■ Trading ■ Start up

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

- As announced on 1 December 2015, the joint venture owned by Devine and Leighton Properties Pty Ltd received a Notice of Intention to Resume from Townsville City Council in relation to the joint venture's Southbank Townsville development site.

(f) **Construction**

- Devine Constructions provides in-house construction services to Devine as well as other developers. Capabilities extend across apartments, mixed-use and medium sized commercial projects.
- Major completed projects include 333 Ann Street, Brisbane, and the first three stages of the award winning Hamilton Harbour project in Brisbane.
- There are currently 4 construction projects underway (including 3 third party contracts) representing a backlog of approximately 850 dwellings.

Constructions								
Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Project lifecycle		
						2015	2016	2017+ ²
38 High Street (Serra Property)	Apt	External	Brisbane	136 apts.	Under construction	■	■	
Alex Perry (Chrome Properties)	Apt	External	Brisbane	143 apts.	Practical completion	■		
Mode (Devine-Daikyo)	Apt	Internal	Brisbane	157 apts.	Under construction	■	■	■
Vida (Pointcorp)	Apt	External	Brisbane	144 apts.	Under construction	■		
Westmark Milton (Walker Corp)	Apt	External	Brisbane	277 apts.	Under construction	■	■	
Total dwellings		857 dwellings						

■ Completion
 ■ Trading
 ■ Start up

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

(g) **Directors**

Peter Dransfield (Non-executive Chairman)

Mr Peter Dransfield has been an independent Non-executive Director since April 2010. Peter has held senior executive positions with Australand and Walker Corporation and was a Director of the Multiplex Group and Director of Housing for the NSW Government. Peter is also an adviser to Pepper Property and Chairman of several Urban Growth joint ventures.

Judith Downes (Non-executive Director)

Ms Judith Downes joined the Devine Board as an independent Non-executive Director on 1 January 2013. She has extensive experience in accounting and finance having previously held senior roles in those fields including CFO of Alumina Limited and CFO and Chief Operating Officer, Institutional Division for the Australia and New Zealand Banking Group Limited. Judith has also held a number of professional appointments including seven years as a member of the IFRS Advisory Council of the International Accounting Standards Board. She is a Director and Chairman of the Board of Bank Australia, Australia's first customer owned bank.

David Robinson (Non-executive Director)

Mr David Robinson has been a Non-executive Director of Leighton Holdings since 1990. Mr Robinson is a registered company auditor and tax agent and a chartered accountant and Partner of the firm ESV Accountants and Business Advisors in Sydney. He acts as an adviser to local and overseas companies with interests in Australia and he is a participant in construction industry affairs. He is also Chairman of Trustees of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia.

Mr Robinson was a Director of Leighton Properties from 2000 to 2012.

Mark Gray (Non-executive Director)

Mr Mark Gray was Managing Director of Leighton Properties Pty Limited from 2007 until his retirement in December 2014. He has 40 years' experience in the property industry in both Australia and the USA, 28 of which have been with Leighton Properties. He has experience in all facets of property development including from a strategic, delivery and financial/investment perspective across a breadth of large projects including commercial, residential and mixed-use projects throughout Australia.

Mr Gray is a past President (NSW) of the Property Council of Australia and is currently an independent board member of the Green Building Council of Australia.

Jeff Cummings (Non-executive Director)

Mr Jeff Cummings has been actively involved in the housing and urban development industry for over 26 years. In this period, Mr Cummings' roles have provided experience across all facets of urban development; including investment and acquisition, design and development, construction management and project management. Mr Cummings is the former New South Wales General Manager for Pioneer Homes Australia; a role he fulfilled for six years prior to the takeover of the business by Devine Limited in 1997. Mr Cummings has an impressive career in various consulting roles for private developers, NSW Health and the NSW Government's development agency, Urban Growth NSW (formerly Landcom).

(h) **Senior management**

Craig Bellamy (Chief Financial Officer and Acting CEO)

Mr Craig Bellamy was appointed as Chief Financial Officer on 31 March 2014 and assumed duties as acting CEO on 2 November 2015, with over 20 years' experience having held various executive roles in a number of property businesses. Craig's most recent executive roles were as CEO and CFO of the ASX listed Trinity Limited. With a strong strategic and property finance background, Craig has a proven track record of improving business structures and asset performance leading to increased profitability. Craig is a member of the Institute of Chartered Accountants and also holds a Bachelor of Business (Accounting).

Andrew Brimblecombe (General Manager, Devine Communities)

Mr Andrew Brimblecombe was appointed as General Manager, Devine Communities in 2013. He previously held the position of Queensland General Manager, Housing and Land since 2010. Prior to this, Andrew worked with Delfin Lend Lease for over 15 years in various roles including General Manager - Queensland, and General Manager - Marketing and Sales. Andrew also has worked with Macquarie Bank, Multiplex and Ariadne, bringing a broad range of cross-sectoral experience to the Queensland division.

Warren Thomson (General Manager, Marketing & Sales)

As General Manager, Marketing & Sales, Mr Warren Thomson's responsibilities extend across the marketing and sales arena with a focus on marketing strategy, brand, product development and trading performance. He joined Devine in June 2010 following 13 years with Lend Lease where he fulfilled a number of marketing and management roles in the group's development businesses. During this time, he worked on a number of high profile and industry recognised projects including North Lakes, Twin Waters, Hyatt Coolom and various projects across the Delfin portfolio. He has a Bachelor of Business.

Terry Conway (Acting General Manager, Apartments)

Mr Terry Conway has over 40 years' experience in the development industry within both the public and private sectors. He joined Devine in 2006 and has been integrally involved in all Apartment projects including Hamilton Harbour, DoubleOne 3, Mode and Tribune. For 20 years, Terry held senior positions within Brisbane City Council and in particular oversaw the approval of all Development Applications in the Central Business District. Terry holds a Bachelor of Applied Science (Built Environment) and a Graduate Diploma in Urban and Regional Planning.

5.2 Risk factors associated with the Devine business

There are a number of implications of the Offer for Devine's business which are set out in detail in Sections 4.12 and 4.14. This Section outlines the risks and uncertainties relating to Devine's current business strategy, both specific to Devine and of a more general nature, which may affect the future operating and financial performance of Devine and the value of Devine Shares. The following risk factors are not exhaustive of the risks faced by Devine Shareholders.

Many of these risks are outside the control of Devine and the Directors. Where appropriate, Devine adopts strategies to manage these risks to its business, including taking out insurance cover.

This section describes the material risks. The risks described in this section are not the only ones Devine faces - other risks may not be known to Devine, and some that the Directors currently believe to be immaterial may subsequently turn out to be material. One or more of a combination of these risks could materially impact Devine's businesses, operating and financial performance, the price of Devine Shares or the dividends paid on them.

If you do not accept the Offer and continue to hold Devine Shares, your investment in Devine will be subject to these risks, and these risks will be impacted by any changes CIMIC makes to Devine's current business strategy.

(a) **General market risks**

The value and/or market price (if listed) of Devine Shares and the future distributions made to Devine Shareholders will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and the local stock markets;
- changes in economic conditions including inflation, recessions and interest rates; and
- changes in Government fiscal, monetary and regulatory policies.

(b) **Primary business risks**

Devine Shareholders will be exposed to risks associated with Devine's business activities. If the Devine Shares remain listed on ASX, the price of Devine Shares will also be affected by stock market participants' view of these risks. These risks include:

(i) **Effective execution of its strategy**

Devine's failure to deliver on or to effectively execute its stated strategy or its failure to redefine its strategy to meet changing market conditions could result in a decline in the value of Devine Shares and a loss of earnings.

(ii) **Availability of funding**

The real estate investment and development industry tends to be highly capital intensive. The ability of Devine to raise funds on favourable terms for future refinancing, development and acquisitions depends on a number of factors including general economic, political, capital and credit market conditions. The inability of Devine to raise funds on favourable terms for future acquisitions, developments and refinancing could adversely affect its ability to acquire or develop new properties or refinance its debt.

(iii) **Refinancing requirements**

Devine is exposed to risks relating to the refinancing of existing debt instruments and facilities. Devine may experience difficulty in refinancing some or all of its debt facilities maturing over the coming years. The terms on which they are refinanced may also be less favourable than at present.

See Section 4.14 in relation to the effect of the Offer on Devine's current financing arrangements.

(iv) **Debt covenants**

Devine has various covenants in relation to its debt facilities, including interest cover and gearing. Factors such as falls in asset values and the inability to achieve timely asset sales at prices acceptable to Devine could lead to a breach in debt covenants. In such an event, Devine's lenders may require their loans to be repaid immediately.

See Section 1.3(i) for more information in relation to the Multi-Option Facility.

(v) **Forward looking statements and financial forecasts**

There can be no guarantee that the assumptions and contingencies contained within forward looking statements, opinions or estimates (including projections, guidance on future earnings and estimates) will ultimately prove to be valid or accurate. The forward looking statement, opinions and estimates depend on various factors, many of which are outside the control of Devine. For example, as part of Devine's business, Devine undertakes feasibility studies which involve certain assumptions that the business will perform as Devine expects.

(vi) **Inflation rates/interest rates**

Higher than expected inflation rates generally or specific to the property industry could be expected to increase operating costs and impact on demand and development costs. These cost increases may be able to be offset by increased selling prices. Increases in interest rates could have the effect of reducing the availability or increasing the cost of finance for the purchase of properties by Devine's customers. Interest rates also impact on Devine's cost of funds.

(vii) **Property market**

Devine's earnings are subject to property market conditions. Increases in supply or falls in demand in any of the sectors of the property market in which Devine operates or invests could influence the acquisition of sites, the timing and value of Devine's sales and the carrying value of projects and income producing assets and this could affect earnings.

A sustained downturn in the residential property markets due to deterioration in the economic climate could result in reduced development profits. A decline in sales at Devine's residential property developments could affect Devine's revenue and financial position.

Market sentiment may be influenced by media commentary and observations by industry analysts. Market sentiment has a significant influence on the confidence of Devine's customers and their propensity to buy residential properties.

Perception may have a larger short term influence on project enquiry levels and rates of sale than medium term factors such as the likelihood of oversupply or undersupply in some market segments. Although project rates of sale may not have a significant influence on the profitability of individual projects in the medium/long term, a decline in market sentiment, which reduces rates of sale, could adversely influence the amount of profit that can be brought to account in a particular financial period.

(viii) **Residential housing cycle**

Devine's operating cash flow is influenced by, amongst other things, residential land sale to builders, home owners and investors. A sustained downturn in the economic climates and/or capital availability for customers has the potential to reduce or delay Devine's cash flow receipts from sales or residential real estate.

(ix) **Potential illiquidity**

Property assets are by their nature illiquid investments. Therefore, it may not be possible for Devine to dispose of assets in a timely manner. To the extent that Devine invests in properties for which there may be only a limited number of potential investors, the realisable value of those assets may be less than the full value indicated by Devine's expectations of future cash flows from the relevant properties.

(x) **Construction risks**

Completion of projects involves a number of typical construction risks including the failure to obtain necessary approvals, liquidated damages, potential litigation from third party parties, employee or equipment shortages, higher than budgeted constructions costs, the ability of customers to pay, insolvency events and project delays, which may impact the commerciality and economics of the project.

(xi) **Purchasers' settlement**

A failure of a significant portion of purchasers to settle on major development projects could affect the timing and amount of future earnings.

(xii) **Land restocking**

Devine's inability to acquire major development sites in chosen geographical areas at an appropriate price could result in reduced land development profits.

(xiii) **Property values**

Unanticipated factors influencing the value of development trading stock held by the development businesses, such as those listed below, could impact on future earnings:

- changes in the conditions of town planning consents applicable to Devine projects, as a consequence of the nature of government and statutory policies;
- variances in the cost of development as a consequence of the imposition of levies by state and local government agencies;
- the presence of previously unidentified threatened flora and fauna species, which may influence the amount of developable land on major projects;
- the activities of resident action groups;
- native title claims;
- land resumptions for roads and major infrastructure, which cannot be adequately offset by the amount of compensation eventually paid; and
- changes to the value of property developments currently in progress due to market conditions.

(xiv) **Joint ventures**

Devine's failure to effectively structure and administer its joint ventures to meet its strategic initiatives and business objectives could result in major adverse financial outcomes, an inability to acquire major development sites and investment properties as well as increased exposure to legal, regulatory and tax risk.

(xv) **Health and safety**

Poor work practices resulting in fatality and/or serious injury or a failure to comply with the necessary health, safety and environmental regulatory requirements could result in reputational damage, fines, penalties and compensation for damages as well as poor staff morale and industrial action.

(xvi) **Development risk**

Part of Devine's business is to identify, analyse and invest in property development projects. Property development projects have a number of inherent risks in addition to those associated with acquisitions generally, including:

- a risk that appropriate planning consents are not obtained or, if obtained, are not properly adhered to;
- a risk that development costs escalate beyond those originally anticipated;
- a risk of project delays due to factors beyond the control of Devine;
- a risk that any property development manager and/or subcontractor appointed to implement a property development project does not perform their role to a satisfactory standard or acts or fails to act in breach of contract;
- a risk that competing property development projects adversely affect the overall return achieved by any property development projects undertaken by Devine, because they provide competitive alternatives for potential purchasers and potential lessees;
- a risk that market conditions change during any development;
- a risk that planning consents are not obtained or not as originally planned; and
- a risk that suitable development opportunities cannot be sourced.

Although some of these risks can be mitigated, it is not possible to entirely remove the risks inherent in property development projects.

(xvii) **Energy sustainability and climatic conditions**

Devine's failure to adequately respond to the impact of sustainable energy considerations and climate change and any associated legislative requirements and community expectations could result in litigation (if reporting requirements are not met) and reduced profit due to the impact of increased costs associated with implementing increased energy efficiency. Devine would also be adversely impacted by a loss of market share if building designs do not address community expectations or match competitor products on sustainability issues.

Prolonged adverse weather conditions (such as those experienced in Australia in recent times, eg. flooding) may result in delays in construction, giving rise to possible project losses, liquidated damage claims and/or deferral of revenue or profit recognition.

(xviii) **Taxation**

Changes in income tax, GST or stamp duty legislation or other state or federal tax legislation or policy, particularly in regard to residential housing, property development activity and investment in income producing property may adversely affect Devine's profit. Any removal of the concessions for individuals in respect of capital gains tax or relating to negative gearing of income producing properties could have an adverse effect on Devine's sales or the value of its investments.

Devine constantly monitors these changes to taxation law and the impact of the changes is assessed by Devine's taxation department as well as external experts where required. Due to the nature of Devine's development operations, which can involve complex financing structures and joint venture arrangements, the ATO periodically reviews and queries the taxation treatment of various transactions, which could result in additional tax being levied.

(xix) **Human resources**

The loss of senior key staff or management personnel who have particular expertise in property development, construction and the marketing of residential properties, and the unavailability of skilled labour may influence future earnings.

(xx) **Accounting standards**

Changes to Australian Accounting Standards could affect Devine's reported earnings performance in any given period and its financial position from time to time.

(xxi) **Unemployment rate**

Sales in residential projects may be negatively impacted by a sustained increase in the unemployment rate in Australia, particularly in key markets where Devine has residential projects. This impact could be through a reduction in the number of lots sold, in the value of lots sold and profit achieved.

(xxii) **General economic conditions**

Devine's operating and financial performance is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, commodity prices, ability to access funding, supply and demand conditions and government fiscal, monetary and regulatory policies. Prolonged deterioration in these conditions, including an increase in interest rates, an increase in the cost of capital or a decrease in consumer demand, could have a material adverse impact on Devine's operating and financial performance.

(xxiii) **Competition**

Devine may be negatively affected by prices for existing properties or services being inflated via competing bids by prospective purchasers.

(xxiv) **Fixed nature of significant costs**

Significant expenditures associated with each investment, such as interest payments, maintenance costs, employee costs and taxes are generally not reduced when circumstances cause a reduction in income from investment.

(xxv) **Regulatory risk**

Devine operates in a highly regulated environment and is subject to a range of industry specific and general legal and other regulatory controls. Regulatory breaches may affect Devine's operational and financial performance, through penalties, liabilities, restrictions on activities and compliance and other costs. In addition, changes in government and local government regulations and policies (including government land development, public housing and first home-buyer assistance and tenancy laws) and delays in the granting of approvals or the registration of subdivision plans may affect the amount and timing of Devine's future profits.

(xxvi) **Litigation and disputes**

Legal and other disputes (including industrial disputes) may arise from time to time in the ordinary course of operations. Any such dispute may impact earnings or affect the value of Devine's assets.

(xxvii) **Environment**

The discovery of, or incorrect assessment of costs associated with, environmental contamination on any of Devine's projects could have an adverse effect on the profitability and timing of receipt of revenue from that project. It is Devine's policy to undertake detailed environmental due diligence on any property before acquisition.

(xxviii) **Insurance**

Devine generally enters into contracts of insurance that provide a degree of protection over assets, liabilities and people.

While such policies typically cover against material damage to assets, contract works, business interruption, general and professional liability and workers compensation, there are certain risks that cannot be mitigated by insurance, either wholly or in part, such as nuclear, chemical or biological incidents or risks where the insurance coverage is reduced or unavailable, such as cyclones or earthquakes.

Devine also faces the risk that insurers may not be able to meet indemnity obligations if and when they fall due, which could have an adverse effect on earnings.

Further, insurance may be materially detrimentally affected by global market conditions such that insurance becomes more expensive or in some cases, becomes unavailable.

6 Taxation information

6.1 Overview

The following is a general outline of the Australian tax consequences that may apply for certain Devine Shareholders who dispose of their Devine Shares by accepting the Offer.

It does not take into account the specific circumstances of any particular Devine Shareholder. Accordingly, Devine Shareholders should not rely on this general outline in deciding whether or not to accept the Offer. Devine Shareholders should consult their own independent tax adviser regarding the tax consequences of accepting the Offer to take into account their specific circumstances.

This outline reflects Australian law and practice as at the date of this Target's Statement. This general outline does not take into account anticipated changes in the law after the date of this Target's Statement, whether by way of judicial decision or legislative action, nor does it take into account tax legislation in countries apart from Australia.

This outline does not apply to all Devine Shareholders. For example, it does not apply to Devine Shareholders that:

- (a) are not Australian residents for tax purposes;
- (b) hold their Devine Shares on revenue account (for example, as trading stock, in the course of carrying on a business or for the purposes of re-sale for a profit);
- (c) are exempt from Australian tax;
- (d) acquired their Devine Shares under an employee share scheme or option scheme or otherwise acquired their Devine Shares in respect of employment or services provided by them;
- (e) acquired their Devine Shares by exercising an option (including by the exercise of any Devine Options or Devine Share Rights);
- (f) are subject to the application of the taxation of financial arrangement provisions;
- (g) obtained roll-over relief in connection with acquiring their Devine Shares;
- (h) hold, or have held, their Devine Shares through a permanent establishment outside of their country of residence;
- (i) are, or have been, temporary residents of Australia for the purposes of the Australian tax legislation; or
- (j) have not been resident in the same country for tax purposes throughout the period they have owned their Devine Shares.

If a Devine Shareholder is a trustee, this outline does not consider the tax consequences for the underlying beneficiaries.

The tax consequences for a Devine Shareholder disposing of their Devine Shares may depend, in part, upon whether they are an individual or an entity (for example, a company, the trustee of a trust or a complying superannuation fund). Unless otherwise indicated, this outline applies to Devine Shareholders who are individuals.

Devine Shareholders that are not residents of Australia for tax purposes should seek their own independent professional advice regarding the tax consequences under the laws of their country of residence, as well as under Australian law, in relation to the Offer.

6.2 Capital gain or loss on disposal

Outlined below is a guide for calculating the capital gain or loss that a Devine Shareholder may make on the disposal of Devine Shares:

CGT event	<p>A Devine Shareholder that accepts the Offer and whose shares are transferred to CIMIC will be taken to have disposed of their Devine Shares for Australian tax purposes. The time of the CGT event should be the time when the Devine Shareholder accepts the Offer.</p>
Capital gain	<p>If the capital proceeds received by a Devine Shareholder from the disposal of a Devine Share exceeds the cost base of that share, the Devine Shareholder may make a capital gain.</p>
Capital loss	<p>If the capital proceeds received by a Devine Shareholder from the disposal of a Devine Share is less than the reduced cost base of that share, the Devine Shareholder may make a capital loss.</p> <p>A capital loss may be used to offset a capital gain made in the same income year and a net capital loss may be carried forward to offset against future capital gains (refer section below entitled "Amounts included in assessable income").</p>
Capital proceeds	<p>The capital proceeds for a Devine Share should include the money, and the market value of any other property, a Devine Shareholder is entitled to receive from the disposal of the Devine Share.</p>
Cost base and reduced cost base	<p>The cost base of a Devine Shareholder's Devine Share should generally include the cost of acquisition plus any incidental costs of acquisition and disposal (for example, brokerage and stamp duty, and certain other costs such as professional advisers fees that are not otherwise deductible).</p> <p>If a Devine Shareholder acquired a Devine Share before 11.45am on 21 September 1999, it may be possible to index expenditure incurred at or before that time in working out the cost base (but not the reduced cost base) of the Devine Share. If a Devine Shareholder chooses to calculate their cost base with reference to indexation, the CGT discount would not be available.</p> <p>Certain amounts are excluded from, or may reduce, the "reduced cost base" for the purposes of calculating a capital loss.</p>
Amounts included in assessable Income	<p>A taxpayer is required to aggregate all capital gains and capital losses made during an income year, together with any unapplied net capital losses, to determine if the taxpayer made a net capital gain or a net capital loss.</p> <p>Any net capital gain for the income year is included in the taxpayer's assessable income (subject to the potential application of the CGT discount, discussed below).</p> <p>Net capital losses may not be deducted against other assessable income, but may be carried forward to offset against capital gains made in future income years. As the loss rules are complex, companies and trustees should seek</p>

their own independent professional advice as to how these rules may apply, having regard to their particular circumstances.

CGT discount

The CGT discount may apply to reduce a qualifying Devine Shareholder's net capital gain made from the disposal of a Devine Share.

Broadly, a Devine Shareholder may be able to apply the CGT discount to the extent that they acquired their Devine Share at least 12 months prior to the time of the CGT event (excluding the date of acquisition and the date of the CGT event).

Individuals and trusts may be entitled to a CGT discount of 50% while complying superannuation entities may be entitled to a CGT discount of 33⅓%. The CGT discount is not available to companies.

Foreign Devine Shareholders

A Devine Shareholder that is not a resident of Australia for tax purposes, and that does not use their Devine Share in carrying on a business through an Australian permanent establishment, may be able to disregard the whole of any capital gain or capital loss made upon the disposal of their Devine Share if they (together with their associates) do not hold 10% or more of Devine Shares at the time of disposal, and have not held more than 10% of Devine Shares throughout a 12 month period during the 24 months preceding the disposal.

Foreign Devine Shareholders that have held, or hold, 10% or more (either on a stand-alone basis or with their associates) of Devine Shares on capital account should obtain specific advice on the Australian tax consequences of disposing of their Devine Shares (including the application, if any, of any double tax treaty between their country of residence and Australia).

6.3 Stamp duty and GST

A Devine Shareholder that disposes of a Devine Share to CIMIC is not expected to incur any Australian stamp duty or be subject to GST on that disposal.

7 Additional information

7.1 Other material information

The Target's Statement is required to include all the information that Devine Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for Devine Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Directors are of the opinion that the information that Devine Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement;
- (b) the information contained in Devine's releases to ASX prior to the date of this Target's Statement; and
- (c) information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken to be endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of the Devine Shares;
- (b) the matters that Devine Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to Devine Shareholders' professional advisers; and
- (d) the time available to Devine to prepare this Target's Statement.

7.2 Issued securities

The total number of securities in Devine as at the date of this Target's Statement is as follows:

- (a) 158,730,556 Devine Shares;
- (b) 437,750 Devine Options; and
- (c) 820,235 Devine Share Rights.

Devine Options

The Devine Options were issued pursuant to the now superseded executive share option scheme ("**ESOS**"). The ESOS was approved by Devine Shareholders in November 1998 whereby executive Directors, senior executives and managers of the Devine Group were, from time to time, issued with Devine Options.

The Devine Options were issued in accordance with guidelines established by the Directors. The options were issued for a term of 5 to 10 years and are exercisable beginning on the second anniversary date of grant subject to the satisfaction of performance hurdles.

Upon payment of the exercise price (the fixed price at time of grant) Devine Optionholders will receive one fully paid Devine Share. The Devine Options cannot be transferred and are not quoted on ASX.

Devine Share Rights

The Devine Share Rights are all Devine performance rights issued under the Devine long term incentive ("LTI") plan ("LTI Plan") under which senior executives and selected managers as approved by the Devine Board can receive LTI payments in the form of Devine performance rights. The Devine Share Rights vest at the end of a three year period with no opportunity to retest and participants are specifically prohibited from hedging the exposure to Devine's share price in respect of their unvested Devine Share Rights.

A number of employees have been awarded Devine Share Rights, which in the ordinary course, vest into Devine Shares three years after issue, subject to Devine's performance against specified performance hurdles.

7.3 Substantial shareholders

The names of substantial Devine Shareholders, as at 7 December 2015, who have notified Devine in accordance with section 671B of the Corporations Act as at the date of this Target's Statement are set out below together with their interests as at the date when the relevant notification was given:

- (a) CIMIC holds 80,368,643 Devine Shares, being 50.63% of the Devine Shares on issue; and
- (b) Brazil Farming Pty Ltd holds 22,833,735 Devine Shares, being 14.3% of the Devine Shares on issue.

7.4 Latest financial results and change of financial position

Devine's last published financial statements were for the half-year ended 30 June 2015, as lodged with its half-yearly report to ASX on 12 August 2015.

On 22 October 2015, Devine released updated earnings guidance to the market, announcing that its previously announced guidance profit before tax of \$10 million to \$13 million for the 12 months to 31 December 2015 will not be achieved. Devine expects a nil profit result for FY15.

On 1 December 2015, Devine released updated earnings guidance to the market, announcing that Devine has reduced its guidance to a loss before tax of greater than \$11 million for the year ended 31 December 2015. The revised guidance excludes any costs associated with the Offer. In the same announcement, Devine announced that a joint venture owned by Devine and Leighton Properties Pty Ltd have received a Notice of Intention to Resume from Townsville City Council in relation to the joint venture's Southbank Townsville site. The resumption notice is to provide for the proposed new Townsville Convention Centre and Stadium development. Devine is not currently in a position to assess how the resumption might impact future performance but notes that the resumption may impact the carrying value of the Southbank asset.

7.5 Recent ASX disclosures by Devine

Since publishing its 2014 annual report to Devine Shareholders on 30 March 2015, Devine has made a number of announcements to ASX that may be relevant to its financial position, including in relation to its half-year results on 12 August 2015 and updated earnings guidance on 22 October 2015 and 1 December 2015. A list of material announcements released by Devine in the

period from 30 March 2015 to 9 December 2015, the last Business Day before the date of this Target's Statement was printed, is set out at Annexure B.

7.6 Interests of Directors

(a) Interests of Directors in securities in Devine

Director	Number/class of securities
Peter J Dransfield	200,000 Devine Shares
Judith S Downes	55,000 Devine Shares
Jeff D Cummings	Nil
Mark C Gray	Nil
David P Robinson	Nil

(b) Dealings by Directors in Devine securities

Except as set out below, there have been no acquisitions or disposals of securities in Devine by any Director in the four months ending on the day preceding the date of this Target's Statement.

Director	Transaction type and date	Number and type of securities	Price per security
Peter J Dransfield	On-market purchase made on 22 October 2015	100,000 Devine Shares	\$0.54

(c) Interests and dealings in CIMIC

- (i) David Robinson holds 1,489 fully paid ordinary shares in CIMIC Group Limited; and
- (ii) Mark Gray holds 18,707 fully paid ordinary shares in CIMIC Group Limited.

(d) Benefits to Directors

The Independent Directors will be paid additional fees by Devine of \$50,000 in aggregate, in relation to the work they have undertaken as Independent Directors of Devine in relation to the takeover proposal from CIMIC.

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act and compulsory superannuation entitlements) has been paid or will be paid to any director, secretary or executive officer in connection with the loss of, or their resignation from, their office.

(e) Conditional agreements

No agreement has been made between any of the Directors and any other person in connection with or conditional upon the outcome of the Offer.

(f) Interests in contracts with CIMIC

No Independent Director has an interest in any contract entered into by them with CIMIC.

7.7 Material litigation

Devine has in the past received correspondence alleging the basis for a claim relating to the failure by Devine to proceed earlier this year with a scheme of arrangement which, if adversely determined, would be material to the Devine Group. Devine views the allegations as baseless and no recent communications have been received in connection with the matter.

7.8 Impact of the Offer on employee arrangements

This Section 7.8, summarises the impact of the Offer on Devine's current employee arrangements, including those described in more detail in Section 7.2.

(a) Long term incentive plan

None of the Devine Share Rights are expected to vest during the Offer Period.

(b) Executive share option scheme

All 437,750 Devine Options on issue are held by one person, being a former employee of Devine, and will expire on 28 October 2016 if not exercised prior to that date. The exercise price for the Devine Options is \$0.914 per Devine Share.

As the exercise price of the Options is above the Offer Price it is not expected the Devine Options will be exercised during the Offer Period.

(c) General Employee Share Plan

A total of 46,410 Devine Shares have been issued to employees of Devine under the terms of Devine's 2013 General Employee Share Plan. Those Devine Shares were issued subject to restrictions on transfer that will cease to have effect on CIMIC providing confirmation that the Offer is free of Conditions.

7.9 Consents

(a) Consent to inclusion of a statement

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the statements in this Target Statement that are specified below in the form and context in which the statements are included and to the all references to in this Target's Statement to those statements in the form and context in which they are included:

- (i) KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) – to be named as the Independent Expert and to the inclusion of the Independent Expert's Report and statements said to be based on statements made in the Independent Expert's Report; and
- (ii) each Director specified in Section 5.1(g) – to be named in this Target's Statement to the inclusion of statements made by them.

(b) Consent to be named

King & Wood Mallesons has given and has not, before the date of this Target's Statement, withdrawn its consent to the inclusion of its name in this Target's Statement as legal adviser to Devine.

Goldman Sachs Australia Pty Ltd has given and has not, before the date of this Target's Statement, withdrawn its consent to the inclusion of its name in this Target's Statement as financial adviser to Devine.

Computershare Investor Services Pty Limited has given and has not, before the date of this Target's Statement, withdrawn its consent to the inclusion of its name in this Target's Statement as Share Registry to Devine.

(c) **Disclaimer regarding statements made and responsibility**

Each person named above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- (i) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

7.10 Miscellaneous

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX by CIMIC or Devine. Any Devine Shareholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by calling the Shareholder Information Line on 1300 393 217 (within Australia) or +61 3 9415 4037 (outside Australia).

Copies of announcements by Devine may also be obtained from its website at www.devinegroup.com.au.

7.11 Date of Target's Statement

This Target's Statement is dated 10 December 2015, which is the date on which it was lodged with ASIC.

7.12 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors on 9 December 2015.

8 Glossary

8.1 Definitions

Accepted Shares has the meaning given in section 9.6(a)(iii) of the Bidder's Statement.

AEDT means Australian Eastern Daylight Time.

Announcement Date means 10 November 2015.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the official listing rules of ASX.

Bendigo Bank means Bendigo and Adelaide Bank Limited.

Bidder's Statement means the bidder's statement in relation to the Offer, prepared by CIMIC and dated 12 November 2015.

Business Day has the meaning given in the ASX Listing Rules.

CGT means Capital gains tax.

CIMIC for the purposes of this Target's Statement, means CRI together with CIMIC Group Limited.

CIMIC Group Limited means CIMIC Group Limited (ABN 57 004 482 982).

Condition means a condition of the Offer as set out in section 9.8 of the Bidder's Statement.

Corporations Act means the *Corporations Act 2001* (Cth).

CRI means CIMIC Residential Investments Pty Ltd (ABN 97 124 839 069).

Devine means Devine Limited (ABN 51 010 769 365).

Devine Board means the board of Directors of Devine.

Devine Group means Devine and its subsidiaries.

Devine Option means an option to subscribe for a Devine Share.

Devine Optionholder means a holder of Devine Options.

Devine Share means an ordinary share in Devine.

Devine Share Rights means the performance rights granted by Devine to employees under LTI Plan.

Devine Shareholder means a registered holder of Devine Shares.

Directors means the current directors of Devine.

EBITDA means earnings before interest, tax, depreciation and amortisation.

ESOS means Devine's executive share option scheme.

GST means the goods and services tax imposed under *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

IBC or **Independent Board Sub-Committee** means the committee comprising the Independent Directors that was given responsibility for considering the Offer.

Independent Director means each of Judith Downes and Peter Dransfield.

Independent Expert means KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd).

Independent Expert's Report means the report prepared by the Independent Expert as to whether the Offer is fair and reasonable.

LTI means long term incentive.

LTI Plan means Devine's long term incentive plan.

Multi-Option Facility means Devine's multi-option facility agreement dated 23 March 2010, as amended and restated from time to time.

NAB means National Australia Bank Limited.

Offer means the takeover offer by CIMIC for Devine Shares under Chapter 6 of the Corporations Act as described in the Bidder's Statement (as varied from time to time).

Offer Period has the same meaning given in the Bidder's Statement.

Offer Price means \$0.75 cash per Devine Share, or \$0.81 cash per Devine Share if, during the Offer Period, CIMIC obtains, as a result of on-market acquisitions and/or the receipt of valid acceptances under the Offer, a relevant interest in at least 90% of the Devine Shares on issue.

Register Date means 7.00pm (AEDT) on 12 November 2015.

related body corporate has the meaning given to it in the Corporations Act.

relevant interest has the meaning given to it in the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of the Devine Shares, whether directly or indirectly, including without limitation all rights to receive dividends (and any attaching franking credit), to receive or subscribe for shares, units, notes, options or other securities and to receive all other distributions or entitlements declared, paid, made or issued by Devine or any subsidiary of Devine after the Announcement Date.

RMBL means RMBL Investments Limited.

Share Registry means Computershare Investor Services Pty Limited.

Target's Statement means this booklet.

VWAP means volume weighted average price.

8.2 Interpretation

Unless the context otherwise requires:

- (a) headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;

- (c) a reference to a “Section” is a reference to a section of this Target’s Statement unless otherwise specified;
- (d) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (e) the singular includes the plural and vice versa;
- (f) the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and
- (g) Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia.

Annexure A - Independent Expert's Report

**KPMG Corporate Finance**

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The Independent Directors
Devine Limited
Level 1, KSD1
485 Kingsford Smith Drive
HAMILTON QLD 4007

9 December 2015

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE**PART ONE – INDEPENDENT EXPERT'S REPORT****1 Introduction**

On 10 November 2015 (Announcement Date), CIMIC Group Limited (CIMIC), through its wholly owned subsidiary CIMIC Residential Investments Pty Limited (CRI), announced its intention to make a conditional off-market offer to acquire the 49.37% equity interest in Devine Limited (Devine or the Company) not already owned for a cash consideration of \$0.75 for each ordinary share in Devine (Devine Share) (the Original Offer).

On 12 November 2015, CIMIC lodged the Bidder's Statement (Bidder's Statement) in relation to the Offer.

On 9 December 2015, CIMIC announced that it would increase the cash consideration under the Original Offer to \$0.81 for each Devine Share subject to it obtaining a relevant interest of at least 90% in Devine. CIMIC has also agreed to free the Offer from any Defeating Conditions (the Improved Offer). The Original Offer and the Improved Offer are collectively referred to as the Offer.

To assist the shareholders of Devine (Devine Shareholders or Shareholders) in assessing the Offer, the Independent Board Sub-Committee (IBC) of Devine have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an Independent Expert's Report (IER) to Devine Shareholders indicating whether in our opinion, the Offer is fair and reasonable to Devine Shareholders.

CRI is a wholly owned subsidiary of CIMIC, which holds a 50.63% interest in Devine. CIMIC is a leading international contractor, and the world's largest contract miner. CIMIC, previously known as

Leighton Holdings Limited, was listed on the Australian Securities Exchange (ASX) in 1962 and has its head office in Sydney, Australia. CIMIC provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources and property markets. It operates in approximately 20 countries throughout the Asia Pacific, the Middle East, Sub-Saharan Africa and South America, and employed approximately 23,000 people as at 30 September 2015 (excluding Devine). CIMIC is listed on the ASX with a market capitalisation of approximately \$8.3 billion as at the close of trading on 4 December 2015.

This report sets out KPMG Corporate Finance's opinion on the Offer, and will be included in the Target's Statement to be sent to Shareholders. This report should be considered in conjunction with, and not independently of, the information set out in the Target's Statement.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Requirements for our report

At the time of announcing the Offer, CIMIC had a relevant interest in Devine of 50.63%. Furthermore, three of the five Devine Board members are nominees of CIMIC, with one being a common director of Devine and CIMIC. Under Section 640 of the Corporations Act (the Act), a target company must commission an IER when the bidder's voting power in the target is at least 30% of the target or when the bidder and the target have common directors. As such, there is a legal requirement for an IER to be prepared in the present circumstances.

Under Section 640 of the Act, an IER is required to state whether an offer is considered fair and reasonable. Refer to Section 6 of this report for further details on the technical requirements and the basis of assessment for the IER.

3 Opinion

In our opinion, having assessed the Offer to Devine Shareholders, we consider the Offer to be **not fair but reasonable**, in the absence of a superior proposal.

Our fairness assessment has been based on comparing the cash consideration offered of:

- \$0.75 per Devine Share, where CIMIC obtains less than a 90% interest in Devine, or
 - \$0.81 per Devine Share, where CIMIC obtains at least a 90% interest in Devine
- to our assessed value of a Devine Share on a control basis assuming the Offer was for 100% of the business. This is consistent with the guidance set out in Regulatory Guide 111 'Content of Expert Reports' (RG 111), which also indicates that the shareholding of CIMIC, who already holds 50.63%, should not be considered for the purposes of assessing the fairness of the Offer.

As Devine operates a number of businesses which hold interests in various projects and investments, we have adopted a sum-of-the-parts approach to valuing Devine. This involved valuing each of Devine's projects and investments using an appropriate valuation methodology, with the value of Devine being the sum of these values, less the capitalised value of corporate costs required to execute the ongoing projects, plus the value of any other assets and liabilities. Our assessment of value also required us to form a view as to the value a hypothetical third party acquirer may attribute to Devine's tax losses or its capability to

secure funding, replenish its development pipeline and leverage its brand, supply chain relationships and workforce in order to generate appropriate capital returns (development platform).

We have not included a specific value for the development platform, primarily because in our view it is not certain that an acquirer would pay, at this point in time, for this platform an amount in excess of our assessed value of Devine, given that likely acquirers either already have their own platform or would not attribute material value when considering Devine's current funding constraints, relatively low capital turnover and recent profitability issues. With respect to tax losses, considerable uncertainty exists as to whether a third party acquirer would be able to utilise such losses and therefore attribute any material value to them.

As our valuation analysis indicates that the cash consideration offered under the Offer is less than our assessed value range of \$0.84 to \$0.94 for a Devine Share, we consider the Offer to be not fair. As we have not included a specific value in excess of our assessed value of Devine for the development platform or the tax losses, the Offer would become 'more unfair' if a potential third party acquirer would be willing to attribute any material value to either the development platform or the tax losses.

In forming our valuation opinion, we had to make a series of judgements as to future events based on the facts which we currently know, particularly with respect to the timing and value of future sales in the Communities division, which is Devine's largest value contributor. It is also inevitable that circumstances will change in the future, which will impact on the future performance of Devine irrespective of the strategic review that CIMIC has indicated it will undertake. Our analysis of the fairness of the Offer is summarised in Section 3.1 of this report.

As we have determined the Offer to be not fair based on our estimate of the underlying value of Devine, the more important question for Devine Shareholders is whether it is reasonable. This requires consideration as to whether Devine Shareholders would be better off accepting the Offer, notwithstanding that it is not fair.

In our opinion, we consider the Offer to be reasonable based on a range of factors which, on balance and in the absence of a superior offer, suggest that Shareholders would be better off accepting the Offer.

In analysing the reasonableness of the Offer, it is important to note that CIMIC already controls Devine through its 50.63% shareholding. Furthermore, three of the five Devine Board members are nominees of CIMIC, with one being a common director of Devine and CIMIC.

It is also important to recognise that various matters will happen in relation to Devine irrespective of the Offer. In particular, we note that:

- the Board will change and a new Chief Executive Officer (CEO) will be appointed
- a strategic review of Devine's business will be undertaken, the results of which are currently uncertain as to the implications for the business in the future
- CIMIC is likely to continue to increase its shareholding over time which will impact on future liquidity in Devine Shares, which in turn may affect the share price
- Devine's share price is likely to fall at expiry of the Offer.

In forming our opinion as to the reasonableness of the Offer, we consider there to be a number of advantages and disadvantages for Devine Shareholders including:

- the Offer allows Shareholders to realise their investment in Devine at a premium to the share price prior to the Offer being announced
- the Offer is currently the only option available to maximise value for Shareholders and given CIMIC's existing shareholding and position on other offers received to date, we believe it to be highly unlikely that a superior proposal will emerge
- the Offer provides certainty as to a minimum price, with an increased price if at least a 90% interest in Devine is obtained by CIMIC
- it is likely that the share price in the future will be impacted by lower liquidity
- by accepting the Offer, Devine Shareholders will not be able to participate in any future improvement of the financial performance of Devine
- CIMIC intends, to the extent it can, which will depend to a large degree on the shareholding it achieves under the Offer, to delist Devine. This will have a number of adverse consequences for Shareholders.

These key factors and other considerations are discussed in more detail in our analysis of the reasonableness of the Offer set out in Section 3.2 of this report.

The decision to accept the Offer or not, is a matter for individual shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. Shareholders should consult their own professional advisor, if in doubt, regarding the action they should take in relation to the Offer.

3.1 The Offer is not fair

We have valued the equity in Devine in the range of \$132.9 million to \$149.5 million, which corresponds to a value of \$0.84 to \$0.94 per Devine Share. Our valuation assumes 100% ownership of Devine and therefore incorporates a premium for control. Given the inclusion of a control premium, we would expect the valuation to be in excess of the value of Devine implied by its trading price in the absence of the Offer. Our valuation is summarised below.

Table 1: Valuation summary

\$'000 (unless otherwise stated)	Section reference	Value range	
		Low	High
Communities		194,893	208,922
Developments		8,840	9,576
Housing		20,363	20,860
Constructions		(3,063)	(3,092)
Corporate overhead		(12,477)	(13,141)
Value of major projects	8.3	208,556	223,125
Other assets and liabilities	8.4	(21,723)	(19,723)
Less: Net debt (look-through basis)	8.5	(53,948)	(53,948)
Value of equity		132,885	149,454
Number of shares on issue	7.6	158,730,556	158,730,556
Value per Devine Share (\$)		0.84	0.94

Source: KPMG Corporate Finance analysis

Note: Table may not sum due to rounding

The value of Devine is ultimately dependent on the value of its projects and investments, and its capability to secure funding, replenish its development pipeline and generate appropriate capital returns. Key factors we have considered in our assessment of the value of Devine include:

- *Development pipeline.* In October 2013, a review of the Company's carrying values resulted in an impairment charge of \$70 million (before tax). Subsequently, a capital recycling plan was initiated which included the exit of a number of marginal projects via partial or complete sale of some interests, the accelerated trade-out of previously impaired projects, and structural and operational changes to reduce overhead costs. The released capital was used to significantly reduce debt rather than to replenish the development pipeline. As a result, Devine's pipeline of the Communities and Housing divisions decreased over the five years to 30 June 2015 by approximately 39% to 8,082 dwellings
- *Constructions.* Trade letting losses anticipated within Devine's Constructions division contributed significantly to the recently announced profit guidance downgrades. As a result, initiatives to replenish the Constructions pipeline are currently on hold and uncertainty exists as to the future direction of this division, which will depend on the outcome of the broader strategic review intended by CIMIC following the conclusion of the Offer
- *Housing.* Devine's Housing division has recently been restructured which resulted in a significant reduction of divisional overheads and a shift in the operating model to focus on medium density and integrated housing operations, ceasing the construction of small-to-medium sized single storey detached housing

- *Access to capital.* Despite the significant reduction in debt over the last two years, Devine's gearing is still high relative to its market capitalisation. As a result, access to debt as a source for replenishing the pipeline is limited. Further, Devine's senior debt facility is due to expire in August 2016 which in combination with the withdrawal of the \$50 million corporate guarantee previously provided by CIMIC creates uncertainty as to the value of Devine's development platform. However, despite the recent profitability issues, Devine's existing development pipeline is generating substantial cash flows which support our valuation assessment and will improve Devine's capacity to secure the next refinance of its debt facility. The extent to which future operating cash flows may be used to pursue growth initiatives or resume dividend payments is ultimately driven by CIMIC as the majority shareholder. It is noted that Devine has not paid any dividends since 30 June 2012
- *Overhead costs.* An appropriate level of divisional and corporate overhead costs required to execute the ongoing projects has been incorporated in our valuation assessment. As we consider any acquirer of 100% of Devine would be able to save the costs associated with being a publicly listed company, we have excluded these costs for the purposes of our fairness assessment
- *Development platform.* We have not included a specific value for the development platform primarily because in our view, it is not certain that an acquirer would pay, at this point in time, for this platform an amount in excess of our assessed value of Devine given that likely acquirers either already have their own platform or would not attribute material value when considering Devine's current funding constraints, relatively low capital turnover and recent profitability issues
- *Tax losses.* We have not attributed any value to the \$53 million of tax losses held by Devine as at 30 June 2015 in our assessment of fairness given the difficulty typically experienced by potential acquirers in satisfying the tests which allow them to utilise the tax losses held by acquired businesses and the uncertainty as to the specific utilisation profile applicable to potential acquirers. More often than not, potential acquirers do not attribute material value to tax losses even though they may have value for existing shareholders. It is noted that based on the expected utilisation of Devine's tax losses, a deferred tax asset of \$5.7 million (\$0.04 per Devine Share) has been recorded on Devine's balance sheet at 30 June 2015.

Other factors considered in our assessment of the value of Devine include:

- *Strategic uncertainty.* CIMIC has indicated that following the conclusion of the Offer, it intends to conduct a strategic review of Devine's business. There is uncertainty as to the outcome of this strategic review and it is therefore possible that the operating model may change and certain assets or divisions may be divested, which may result in the ultimate level of recovery of current investments being different than currently expected
- *Management.* Recently, the Managing Director and CEO resigned. It is CIMIC's intention as part of its strategic review of Devine's business following the conclusion of the Offer, to reconstitute the Devine Board and appoint a new CEO to lead the new strategy
- *Alternative Proposal.* On 25 November 2015, the IBC advised that it recently received from Forum Partners a confidential non-binding, indicative proposal to acquire all of the shares of Devine for \$0.90 cash per share via a scheme of arrangement. To be effected as a scheme of arrangement, the

Alternative Proposal would require the support of CIMIC as holder of 50.63% of the outstanding Devine Shares. Whilst CIMIC indicated to the IBC that it is not prepared to support the Alternative Proposal in its current form, it provides a relevant reference point as to the market value of a Devine Share on a controlling interest basis as assigned by a willing, but not anxious buyer. The proposed cash consideration under the Alternative Proposal falls within our assessed value range for a Devine Share and therefore supports our valuation assessment.

The table below compares the offer price to our assessed value per Devine Share on a control basis.

Table 2: Comparison of our assessed value to the Offer

	Value range	
	Low	High
Fairness assessment if CIMIC obtains <u>less than</u> a 90% interest in Devine		
Offer price per Devine Share	\$0.75	\$0.75
Assessed value per Devine Share	\$0.84	\$0.94
Premium / (discount)	(10.4%)	(20.3%)
Fairness assessment if CIMIC obtains <u>at least</u> a 90% interest in Devine		
Offer price per Devine Share	\$0.81	\$0.81
Assessed value per Devine Share	\$0.84	\$0.94
Premium / (discount)	(3.2%)	(14.0%)

Source: KPMG Corporate Finance analysis

According to RG 111, the Offer should be considered fair if the consideration offered to Shareholders is equal to or higher than our assessed value of a Devine Share. **As the cash consideration offered under the Original and the Improved Offer is less than our assessed value range for a Devine Share, we consider the Offer to be not fair.**

As we have not included a specific value in excess of our assessed value of Devine for the development platform or the tax losses, the Offer would become 'more unfair' if a potential third party acquirer would be willing to attribute any material value to either the development platform or the tax losses.

3.2 The Offer is reasonable

In some transactions, there are factors which might suggest that an offer, despite not being fair, is reasonable and should therefore be accepted by shareholders. We have considered a range of factors in assessing the reasonableness of the Offer, and consider **these factors on balance, support our opinion that the Offer is reasonable.**

The principal factors which underpin our reasonableness opinion relate to:

- changes that will occur irrespective of acceptance of the Offer
- advantages and disadvantages of the Offer
- other considerations
- implications if CIMIC acquires a relevant interest in Devine of less than 90%.

Devine Shareholders should consider these factors in determining whether or not to accept the Offer.

3.2.1 Changes which will occur irrespective of the proportion of Shareholders who accept the Offer

Board and management changes

CIMIC has announced that it intends to make various changes to the Board and management of Devine including appointing a new CEO. It is not clear as to the precise nature of these changes or appointments at this point in time.

Strategic review of Devine's operations

CIMIC has indicated that following the conclusion of the Offer, it intends to conduct a strategic review of Devine's businesses. CIMIC has further indicated that the purpose of this review is to determine how to preserve the value of those businesses. This includes potential changes to:

- the structure of the operating businesses
- the manner in which those businesses are managed
- the number of employees required and their respective functions
- whether certain assets or businesses should be divested.

CIMIC may continue to increase its shareholding over time

Given CIMIC's intentions to increase its shareholding in Devine as indicated by the Offer, it is likely that CIMIC will continue to increase its shareholding over time. CIMIC has the ability to acquire an additional 3% interest in Devine during each six month period following the conclusion of the Offer, without making a further takeover offer.

We note also that CIMIC has indicated its intention to proceed with compulsory acquisition of any remaining Devine Shares should it achieve a relevant interest of at least 90% on a fully diluted basis.

Devine share price is likely to fall in the event the Offer is not approved

Devine Shares traded at one month and three month VWAPs of \$0.58 and \$0.61 respectively prior to the announcement of the Offer on 10 November 2015. Following the announcement, Devine Shares have traded in the range of \$0.75 to \$0.81 (including intra-day trades).

Whilst it is not possible to accurately predict the prices at which Devine Shares will trade post the Offer, we consider it likely that the price for Devine Shares on the ASX will at least revert back to levels prior to the Offer, and perhaps even lower given the recent earnings downgrade announced on 1 December 2015.

There will likely be a period of uncertainty

The changes in the Board and management, with CIMIC having taken greater control, means that there will be a period of uncertainty whilst the strategic review is undertaken, any associated recommendations

made and implementation undertaken. Such uncertainty may be reflected in the price of Devine Shares in the short term.

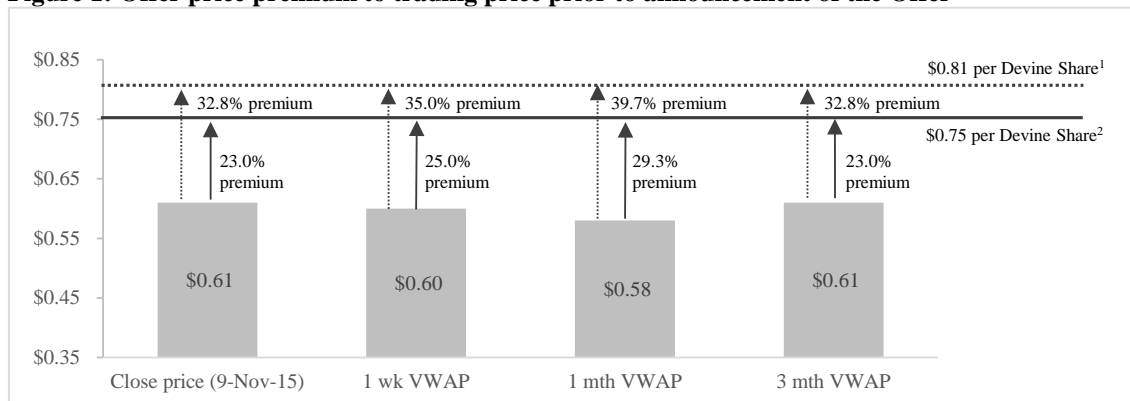
3.2.2 Advantages of the Offer

Outlined below are the principle advantages of the Offer.

The Offer allows Shareholders to realise their investment in Devine at a premium to recent share prices

The consideration offered represents a premium to trading prices of Devine Shares prior to the announcement of the Offer on 10 November 2015, as illustrated below.

Figure 1: Offer price premium to trading price prior to announcement of the Offer



Source: KPMG Corporate Finance analysis; S&P Capital IQ

Note 1: Offer price if CIMIC obtains at least a 90% interest in Devine

Note 2: Offer price if CIMIC obtains less than a 90% interest in Devine

It is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a share, to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. However, the level of premium observed in takeovers varies and depends largely on the circumstances of the target, competitive tension in the sales process and the level of synergies available. Observations from transaction evidence indicate that these premiums concentrate around a range between 20% and 35% for completed takeovers depending on the individual circumstances. The premium paid by CIMIC, falls within this range.

The Offer provides certainty of outcome

Certainty of outcome has the effect of lowering risk. Under the Offer, Devine Shareholders can achieve certainty in relation to the minimum pre-tax amount of \$0.75 per share they will receive for their respective interests in Devine, as compared to maintaining an interest in Devine and exposure to any associated risks, including uncertainty of future financing arrangements. They can also receive the Improved Offer of \$0.81 per share if at least a 90% interest in Devine is obtained by CIMIC.

The Offer is currently the only option available to maximise value for Shareholders

In assessing the merits of the Offer, we have considered the likelihood of any alternative options available to Devine Shareholders. To date, CIMIC has not been supportive of any alternative proposal. As such, we consider the likelihood of an alternative proposal emerging which is capable of acceptance being highly unlikely, given that an alternative bidder is unlikely to bid unless CIMIC provides its support for any proposal given its existing 50.63% shareholding.

CIMIC has stated its preference to own 100% of Devine, which is also demonstrated by the Improved Offer if at least a 90% interest in Devine is obtained by CIMIC. Should this not be achieved through the Offer, CIMIC may return with a new offer at a higher price at a later time. Devine Shareholders who accept the Offer will forego the potential of any higher offer by CIMIC in the future.

3.2.3 Disadvantages of the Offer

Outlined below are the principle disadvantages of the Offer.

Inability to participate in any improvement in Devine's earnings

During recent years, Devine has experienced challenges in meeting its earnings guidance and achieving overall profitability. However, over the 18 months to June 2015, the Company has still produced operating cash inflows in excess of \$78 million. These cash inflows have primarily been used to reduce debt. Devine's Communities division is also expected to continue to derive positive operating cash flows over coming years. To the extent that this, combined with any benefits of CIMIC's strategic review, results in improved earnings, Shareholders who accept the Offer will not be able to benefit from any improved earnings.

Potential adverse impact on future share price from CIMIC's increased shareholding

As the Offer has no minimum acceptance condition, it is unclear what level of acceptances will be received by CIMIC. This will influence the size of Devine's remaining 'free float' available for trading on the ASX. The greater the level of acceptances, the greater the likelihood that there will be lower liquidity in the market for Devine Shares.

In addition, Devine may be unable to maintain its listed status if the number of Devine Shares falls below the admission criteria specified in the ASX Listing Rules, resulting in Devine Shares not being able to be bought or sold on the ASX. In any event, CIMIC has also indicated that it will seek to delist Devine in the future which will have a similar impact for any remaining Shareholders.

3.2.4 Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Whilst we do not necessarily consider these to be advantages or disadvantages of the Offer, we consider it appropriate to address these considerations in arriving at our opinion.

Risks associated with being a minority Devine Shareholder

Under the terms of the Offer, CIMIC has offered to acquire up to 100% of Devine Shares on issue and at the time of the Offer held an interest of 50.63%. Devine Shareholders that do not accept the Offer will continue to be exposed to ongoing risks associated with an investment in Devine and, as a minority Shareholder may also be exposed to the following consequences:

- where CIMIC acquires further shares but less than 90%:
 - CIMIC will have the ability to implement the changes to the Board as indicated in its Bidder's Statement, as well as implement any proposed changes arising from the strategic review it intends to undertake, and be in a position to cast the majority of votes at a general meeting
 - CIMIC will be able to pass an ordinary resolution at a meeting of Devine Shareholders which, amongst other outcomes, could result in a change in the strategic direction of Devine and a change in the distribution policy¹
 - CIMIC intends to review Devine's listing on the ASX and subject to compliance with the Corporations Act and ASX guidance will seek to arrange for Devine to be removed from the Official List of the ASX.
- where CIMIC acquires an interest in Devine of at least 75%, it will be able to pass a special resolution at a meeting of Devine Shareholders which, amongst other outcomes, could result in a change to Devine's constitutions
- where CIMIC acquires an interest in Devine of at least 90% or more, under the Corporations Act, CIMIC will become entitled to compulsorily acquire the remaining 10% of Devine Shares. If this occurs, minority Devine Shareholders will be compelled to sell their Devine Shares to CIMIC but may not receive the consideration for a number of months. This can only occur if Brazil Farming Pty Ltd, given it holds 14.39% in Devine, accepts the Offer
- as the level of acceptances increases, liquidity in Devine Shares will likely decrease.

We also considered a range of other factors in our reasonableness assessment, though these factors are, in our view, less material to the overall conclusion:

- Devine's current finance facilities expire on 31 August 2016. Devine expects to meet scheduled repayments from operating cash flow but will need to refinance by this date. The finance facilities have also benefited from a guarantee by CIMIC which has been released. Given Devine's current operating performance, and the uncertainty that will arise from the strategic review, the ability to refinance such an amount is uncertain. Without finance facilities, the ability of Devine to enter into new projects is extremely limited
- CIMIC will not be able to achieve the benefits associated with 100% ownership unless Brazil Farming Pty Ltd, which holds 14.39% in Devine, accepts the Offer

¹ Devine has not paid a dividend since 30 June 2012

- acceptance of the Offer may result in tax consequences for Shareholders. Whilst tax implications will vary depending on the circumstances of each Shareholder, acceptance of the Offer may result in a tax event occurring, potentially crystallising these tax consequences including capital gains or losses. Shareholders should refer to the Target's Statement for more details of the tax consequences of the Offer as well as consult their financial adviser
- Shareholders will not incur brokerage fees or stamp duty costs associated with transferring their Devine Shares to CIMIC under the Offer
- Devine will incur transaction costs of approximately \$0.6 million including advisory costs, legal fees, independent expert fees and other costs associated with the Offer, regardless of the outcome.

3.2.5 Implications if CIMIC acquires a relevant interest in Devine of less than 90%

In the event that CIMIC does not acquire a relevant interest in Devine of at least 90% and does not proceed to compulsory acquisition, Devine will continue to operate in its current form and be listed on the ASX. In this respect:

- Devine Shareholders who do not accept the Offer will continue to own shares in Devine and continue to be exposed to the risks of an investment in Devine. Those Devine Shareholders who do accept will receive the lower offer price of \$0.75 per Devine Share
- whilst it is not possible to accurately predict the prices at which Devine Shares will trade post the Offer, we consider it likely that the price for Devine Shares on the ASX will at least revert back to levels prior to the Offer, and potentially lower particularly given the earnings downgrade announced on 1 December 2015. For continuing Devine Shareholders, the value of their investment will be impacted by Devine's future performance
- Devine's future performance will be impacted by the Board and management changes as well as the strategic review which CIMIC intends to undertake
- CIMIC has stated that it intends to procure a delisting of Devine. A delisting would result in a number of disadvantages for Devine Shareholders including:
 - the deprival of Devine Shareholders of a means to easily dispose of their Devine Shares
 - Devine no longer being subject to ASX Listing Rules, including continuous disclosure requirements, thereby potentially diminishing reporting to Shareholders
 - various requirements and protections for minority Shareholders under the ASX Listing Rules will cease to apply.

3.2.6 Summary

After considering the advantages and disadvantages of accepting the Offer, other considerations and the implications if the Offer is not accepted, we are of the opinion that the advantages of accepting the Offer outweigh the disadvantages to the Devine Shareholders. Accordingly, we consider **the Offer is reasonable**.

4 Other matters

In forming our opinion, we have considered the interests of Devine Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Shareholders. It is not practical or possible to assess the implications of the Offer on individual Shareholders as their financial circumstances are not known. The decision of Shareholders as to whether or not to approve the Offer is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the Offer may be influenced by his or her particular circumstances, we recommend that individual Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our report has been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Shareholders in considering the Offer. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Target's Statement to be sent to Shareholders in relation to the Offer, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Target's Statement.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 6 of this report.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Ian Jedlin
Authorised Representative



Bill Allen
Authorised Representative

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5 The Offer

The Original Offer

On 10 November 2015, CIMIC, through its wholly owned subsidiary CRI, announced its intention to make a conditional off-market offer to acquire the 49.37% equity interest in Devine not already owned for a cash consideration of \$0.75 for each Devine Share.

On 12 November 2015, CIMIC lodged its Bidder's Statement with ASIC. Under the Original Offer:

- Shareholders will receive \$0.75 for each Devine Share
- it will remain open for acceptance until 7.00pm (AEDT) on 29 December 2015, unless extended (Offer Period)
- CIMIC will be entitled to all dividends and other entitlements arising after the Announcement Date.

The Original Offer was subject to the following Defeating Conditions:

- no material adverse change
- Devine continuing to conduct its business in the ordinary course
- Devine being in compliance with its existing debt facilities
- other customary conditions for an off-market takeover offer.

On 13 November 2015, Devine announced that it had formed an IBC to review the Offer and provide a recommendation to Shareholders. The IBC comprises:

- Judith Downes, and
- Peter Dransfield.

Following the conclusion of the Offer, and irrespective of CIMIC's level of shareholding in Devine at that time, CIMIC's intentions are to²:

- reconstitute the Devine Board
- conduct a strategic review of Devine's businesses which may result in changes to the structure of the operating businesses, and in some positions being made redundant
- appoint a new CEO to lead the new strategy.

Depending on the spread and volume of shareholders remaining after the Offer Period, CIMIC has indicated that it will seek to procure the removal of Devine from the Official List of the ASX.

Should CIMIC acquire a relevant interest of 90% or more of the Devine Shares on issue, its current intentions, in addition to those set out above, are:

² Refer to Section 4 of the Bidder's Statement

- to proceed with the compulsory acquisition of the outstanding Devine Shares in accordance with the provisions of Chapter 6A of the Act and to arrange for Devine to be removed from the Official List of the ASX
- if entitled to do so, to proceed with the compulsory acquisition of all convertible securities in accordance with the relevant provisions of the Corporations Act.

The Improved Offer

On 9 December 2015, CIMIC announced that it would increase the cash consideration under the Original Offer to \$0.81 for each Devine Share subject to it obtaining a relevant interest of at least 90% in Devine. CIMIC has also agreed to free the Offer from any Defeating Conditions.

The Offer also has no minimum acceptance condition.

The Alternative Proposal

On 25 November 2015, the IBC advised that it recently received a confidential non-binding, indicative proposal to acquire all of the shares of Devine for \$0.90 cash per share via a scheme of arrangement (Alternative Proposal). The Alternative Proposal was received from Forum Partners (Forum), a global real estate investment and asset management firm with approximately \$4.2 billion of assets under management. To be effected as a scheme of arrangement, the Alternative Proposal would require the support of CIMIC as holder of 50.63% of the outstanding Devine Shares. However, CIMIC indicated to the IBC that it is not prepared to support the Alternative Proposal in its current form.

Given CIMIC's response, the IBC entered into further discussions with Forum to determine if the Alternative Proposal could be progressed in a manner that did not require the explicit support of CIMIC. However, Forum has advised that it is not prepared to continue to develop the Alternative Proposal to a form that may be capable of being put to all Devine Shareholders on this basis, unless it is satisfied that CIMIC as the majority shareholder of Devine would be supportive of the Alternative Proposal. As such, the IBC of Devine has ceased discussions with Forum in relation to the Alternative Proposal.

Given CIMIC's current 50.63% shareholding, a change of control transaction in respect of Devine cannot occur without CIMIC's support. Based on CIMIC's actions at the completion of the previous formal sale process and its response in relation to the Alternative Proposal, there can be no assurance that CIMIC would support any alternative proposal. As such, at this stage it is highly uncertain that any alternative to the CIMIC off market takeover offer could be progressed to a stage where it could be considered or accepted by Devine Shareholders.

6 Scope of the report

6.1 Purpose

At the time of announcing the Offer, CIMIC had a relevant interest in Devine of 50.63%. Furthermore, three of the five Devine Board members are nominees of CIMIC, with one being a common director of Devine and CIMIC. Under Section 640 of the Act, a target company must commission an IER when the bidder's voting power in the target is at least 30% of the target or when the bidder and the target have common directors. As such, there is a legal requirement for an IER to be prepared in the present circumstances.

Under Section 640 of the Act, an IER is required to state whether an offer is considered fair and reasonable.

6.2 Basis of assessment

RG 111, issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert's report to consider. RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the shares subject to the offer
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis).

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of Devine, we have considered those synergies and benefits that would be available to more than one potential purchaser (or a pool of potential purchasers) of Devine. As such, we have not included the value of special benefits that may be unique to CIMIC. Accordingly, our valuation of Devine has been determined regardless of the bidder and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's shares
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made
- any other advantages, disadvantages and risks associated with accepting the offer.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Devine for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Devine's management in relation to the nature of Devine's business operations, specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Devine has been responsible for ensuring that information provided by it or its representatives is not false, misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of Devine. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Devine remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquires to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking information will be representative of the results which will actually be achieved during the forecast period. Any variations from forecasts/projections may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Devine has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Devine and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Devine. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Devine, with the exception information which we considered necessary to disclose as it forms an important input to our valuation of a Devine Share.

7 Profile of Devine

7.1 Background

Established in 1983, Devine operates in the Australian residential property sector, and throughout its history has been responsible for providing homes and apartments for more than 25,000 Australian families.

Devine's business operations include land and housing development, housing construction and apartment development and construction. Its operations are primarily focused on Queensland, but Devine is also an established market player in Victoria and South Australia.

Devine is listed on the ASX and had a market capitalisation of \$96.0 million at 9 November 2015, the day prior to the announcement of the Offer.

A timeline of key events in Devine's corporate history is set out below.

Table 3: Corporate history

Year	Event
1983	Established as a land developer with a focus on selling small-scale home and land estates
1993	Listed on the ASX
1997	Acquired Pioneer Homes to gain a presence in the Adelaide, Sydney and Melbourne markets Commenced its first medium density development with Cathedral Place in Brisbane Raised \$15 million capital through the issuance of converting preference shares
2000	Commenced its first high-rise development with River Place in Brisbane Partial conversion of the converting preference shares resulted in significant dilution of ordinary shares Established a mortgage origination and securitisation business
2001	Commenced an on-market buyback of up to 30% of its issued capital, resulting in a total of 11% of issued shares being bought back
2002	Commenced property development activities in Melbourne with Victoria Point Docklands
2004	Withdrew from the NSW housing market
2005	Established an in-house construction division, and commenced its first construction project with Charlotte Towers in Brisbane
2006	Established a funds management business Established a commercial property division and sold the yet to be constructed 333 Ann Street office tower to Domaine Property Trust

Year	Event
2007	CIMIC acquired a 40% interest for \$95.6 million through the issue of new Devine shares Acquired the specialist body corporate and community management company, Stewart Silver King and Burns
2008	Entered into three joint venture development agreements with CIMIC, namely, Hamilton Harbour in Brisbane, 145 Ann Street in Brisbane, and a Queensland Rail site in Townsville
2009	Sold Stewart Silver King and Burns
2010	Redefined its focus towards residential development and home building, and made a number of Senior Management changes Capital raising of \$66.3 million through an institutional placement and rights issue
2011	Entered the Gladstone (Queensland) market with a land acquisition CIMIC increased ownership interest in Devine to greater than 50% Consolidation of ordinary shares was undertaken at a ratio of four to one
2013	Re-based asset values through write-downs to inventory, and impairments to joint venture entities and receivables, totalling approximately \$70 million
2014	The Board initiated a formal sale process for all of the shares in Devine following discussions with CIMIC
2015	The formal sale process was terminated Strategic repositioning of its housing division Resignation of the Managing Director and CEO Received an off-market takeover offer from CIMIC, through its wholly owned subsidiary CRI, to acquire all of the outstanding shares of Devine for \$0.75 cash per share Received a confidential non-binding, indicative proposal to acquire all of the shares of Devine for \$0.90 cash per share via a scheme of arrangement from Forum Partners

Source: Devine; ASX announcements; KPMG Corporate Finance analysis

Recent formal sale process

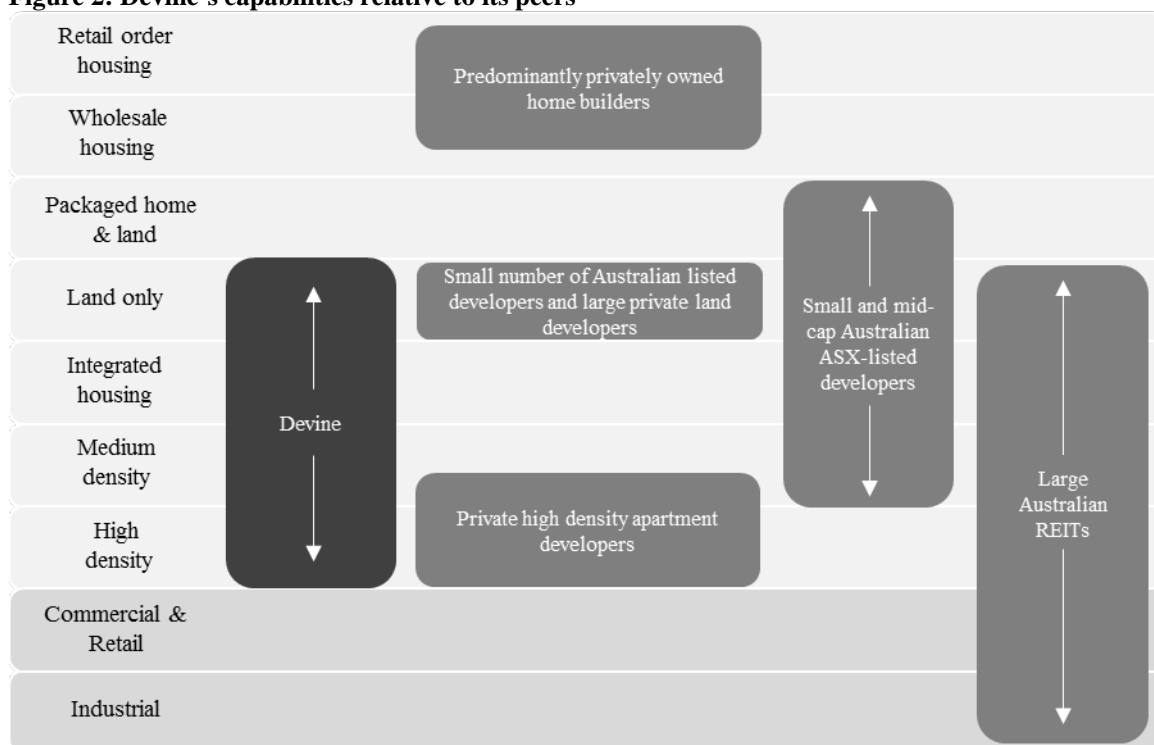
On 25 June 2014, Devine announced that CIMIC had commenced a confidential expression of interest process to seek potential acquirers of its 50.6% interest in Devine. On 16 July 2014, the Board announced that it had formed the view that exploring a formal sale process for all of the shares of Devine was in the best interests of Devine Shareholders as a whole, and that Devine and CIMIC had entered into arrangements in relation to the sale process.

On 26 May 2015, the Board announced the termination of the formal sale process. Devine stated that during the ten months prior to this announcement, several parties undertook due diligence on Devine, resulting in a number of non-binding, confidential and conditional proposals to purchase all of the shares of Devine. Negotiations were subsequently undertaken with these parties to reduce the conditionality of the proposals. The negotiations resulted in the receipt of a final non-binding, confidential proposal for \$0.885 cash per Devine Share that was subject to several conditions, including the support of CIMIC. CIMIC was not prepared to support the proposal at which point Devine made its announcement that the formal sale process had been terminated.

7.2 Business operations

Devine's core capabilities include land and housing development, apartment development and construction. This represents a relatively wide range of capabilities compared to most other market participants which typically have a narrower focus, as illustrated below.

Figure 2: Devine's capabilities relative to its peers

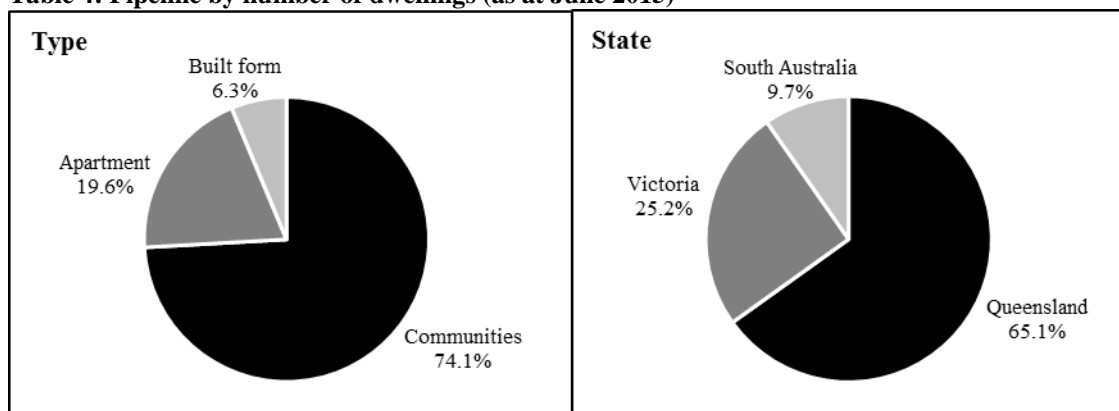


Source: Devine

Devine currently has 28 major projects secured and underway with a land, housing and apartment development pipeline consisting of approximately 10,000³ dwellings. The composition of this pipeline by type and location is illustrated below.

³ Pipeline represents lots and apartments under Devine management based on planned or permissible project dwelling yields, including 100% of dwellings in joint venture projects

Table 4: Pipeline by number of dwellings (as at June 2015)¹



Source: Devine

Note 1: Pipeline is defined as dwellings or allotments which are yet to be settled

Devine's operations are organised into four divisions, namely, Devine Communities (Communities), Devine Homes (Housing), Devine Developments (Developments), and Devine Constructions (Constructions). Each of these divisions, together with the Company's corporate function, are described below.

7.2.1 Communities

The Communities division undertakes the development of residential communities. This involves developing community master plans, subdividing land into lots, coordinating the development and integration of amenities, and preparing lots for residential housing construction.

Communities represents Devine's largest division in terms of pipeline of dwellings and capital invested. The division currently has projects in a number of established corridors across Brisbane, Melbourne and Adelaide, and also has projects in Townsville and Gladstone in Queensland. The division primarily targets the 'entry level' segment of the residential property market.

The division generates revenue through the sale of individual plots of land, and limited house and land packages. Where individual plots of land are sold, the buyer is responsible for engaging a builder to construct the dwelling. Where house and land packages are sold, the builder will typically be an external partner builder arranged by Devine.

Several of the division's projects are structured as either land management or joint venture arrangements. These structures enable Devine to undertake projects in a more capital efficient manner, and provides management with an enhanced ability to control expenditure, dependent upon market demand.

The successful development of community projects requires strong relationships with local administrative and statutory authorities, which can provide benefits in negotiating superior and expedited approvals and positive negotiation outcomes. The main competitors of Devine Communities include major listed and private developers, small local developers, and in some instances, State land authorities. Whilst there are a number of competitors in each of its trading corridors, barriers to entry for new participants also exist, including access to land, capital and expertise.

As at 30 June 2015, Devine had a portfolio of over 22 projects with a pipeline of 8,082 lots, of which 7,445 lots (92.1%) are to be sold as land only, with the remainder being sold as land and built form packages, with Devine's Housing division being responsible for delivery of the built form dwellings. The land only projects are summarised below.

Table 5: Pipeline summary for the Communities division

Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Expected completion ²
Qld	Eden's Crossing	Land	Owned	Ipswich	912	Now Selling	2017+
Qld	Mountview	Land	Owned	Ipswich	147	Now Selling	2017
Qld	Riverparks	Land	Owned	Townsville	523	Now Selling	2017+
Qld	Riverstone rise	Land	Land Mgmt	Gladstone	2,499	Now Selling	2017+
Qld	Waverley Parks	Land	Owned	Gold Coast Nth.	108	Now Selling	2016
Qld	Other	Land	Owned	Various	4	Now Selling	2015
Vic	Newbridge, Wallan	Land	Joint Venture	Melb. Regional	893	Englobo Sale	2017+
Vic	Parks Edge	Land	Joint Venture	Melbourne Sth	234	Now Selling	2016
Vic	Pennyroyal	Land	Joint Venture	Melbourne Nth-West	193	Now Selling	2017
Vic	Stonehill	Land	Joint Venture	Melb. Regional	1,185	Now Selling	2017+
Vic	Other	Land	Joint Venture	Various	8	Now Selling	2015
SA	Orleana Waters	Land	Land Mgmt	Adelaide North	270	Now Selling	2017+
SA	Mawson Green at Meadows	Land	Owned	Adelaide Hills	147	Now Selling	2017+
SA	Woodforde Site	Land	Joint Venture	Adelaide East	300	Planning	2017+
SA	Other	Land	Owned	Various	22	Now Selling	2016
Total dwellings					7,445		

Source: Devine

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

7.2.2 Housing

Historically, Devine Homes has engaged in the construction of a range of residential property, including small-to-medium sized single storey detached housing and medium density housing. In April 2015, Devine announced a repositioning of the division to focus exclusively on medium density housing. Devine also stated that it intends to complete its existing pipeline of detached housing starts, both under construction and those under contract, and expects for these contract obligations to be substantially complete by the conclusion of 2015.

As at 30 June 2015, Devine Homes had a portfolio of 637 built form housing opportunities. The projects which comprise this pipeline are summarised below.

Table 6: Pipeline summary for the Housing division

Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Expected completion ²
Qld	Brookside	Built Form	Owned	Ipswich	153	Planning	2017+
Qld	Parkview Terraces	Built Form	Owned	Gold Coast Nth.	33	Now Selling	2017
Qld	Proximity	Built Form	Owned	Ipswich	123	Now Selling	2016
Qld	The Junction Terraces	Built Form	Owned	Ipswich	72	Planning	2017+
Vic	Essence Terrace Homes	Built Form	Owned	Melbourne Sth-East	14	Now Selling	2016
Vic	Parklea Terraces	Built Form	Owned	Melbourne Nth-West	4	Now Selling	2016
SA	Hamilton Terraces	Built Form	Owned	Adelaide North	9	Now Selling	2016
SA	Robertson Terraces	Built Form	Owned	Adelaide North	17	Planning	2016
SA	Seymour Terraces	Built Form	Owned	Adelaide North	12	Now Selling	2016
SA	Vicinity	Built Form	Owned	Adelaide North	200	Planning	2017+
Total dwellings					637		

Source: Devine

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

7.2.3 Developments

Devine's Developments business encompasses both apartments and mixed-use developments. The division has delivered a portfolio of 15 projects yielding approximately 3,900 apartments in the fifteen years to date. These projects have been located in and around the central business districts of Brisbane and Melbourne, with notable developments including the Victoria Point Docklands in Melbourne, and the Hamilton Harbour precinct in Brisbane.

Many apartments are sold as 'off the plan'. This strategy assists in securing finance coverage prior to construction commencement. Reputation, financial stability, and strong sales and distribution networks are key attributes which assist in securing off the plan sales. Other characteristics often attributable to a successful apartment development business include planning and approval skills and experience, expertise in delivery, and the ability to efficiently collect revenue at contract settlements. The Developments division's main competitors include Australian listed developers, local arms of large international property developers, and privately owned local property developers.

On 14 May 2015, Devine announced that it had formed an alliance with Daikyo Incorporated, a Japanese property company, to jointly investigate and undertake the development of apartment and mixed-use projects in Australia. The Devine-Daikyo alliance has since commenced construction on the Mode Apartments project (157 apartments) in Newstead, Brisbane.

The Developments division is currently undertaking projects, in the city or near city growth areas of Queensland, consisting of five projects in Brisbane and one project in Townsville, with a pipeline of approximately 1,977 dwellings. A summary of this pipeline is set out below.

Table 7: Pipeline summary for the Development division

Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Expected completion ²
Qld	DoubleOne3	Apt	Joint Venture	Brisbane	6	Completed	2015
Qld	KDS2, Hamilton Harbour	Apt	Joint Venture	Brisbane	225	Planning	2017+
Qld	Mode Newstead	Apt	Joint Venture	Brisbane	157	Now selling	2017
Qld	Southbank Townsville ³	Apt	Joint Venture	Townsville	1,200	Planning	2017+
Qld	Trafalgar Site	Apt	TBD ⁴	Brisbane	235	Planning	2017+
Qld	Tribune Site	Apt	TBD ⁴	Brisbane	150	Planning	2017+
Total dwellings					1,973		

Source: Devine

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

Note 2: Projects identified as '2017+' represent those which are expected to be completed post-2017

Note 3: Subject to Notice of Intention to Resume from Townsville City Council

Note 4: TBD means to be determined

On 1 December 2015, Devine announced that a joint venture that it is a party to has received a Notice of Intention to Resume from Townsville City Council in relation to the joint venture's Southbank Townsville site. A resumption would impact the pipeline of the Development division.

7.2.4 Constructions

Devine Constructions was established in 2005 to provide Devine with an in-house construction capability, and assist in the delivery of major projects. The division completed its first project, the Charlotte Towers apartment project in Brisbane, in 2007.

Constructions supports various functions of Devine during initial investigations and feasibility assessments, through to the delivery of developments. While initially established as an in-house function, the division has since expanded to also provide construction management services for several third parties.

Generally, with respect to residential construction, price is the primary determining factor of successful bids. Important attributes in the successful and profitable execution of construction projects include strong relationships with sub-contractors and suppliers. Reputational factors are also important in tendering for external client work.

Constructions has capabilities across both small and large scale projects, with a proven record of delivering multi-level structures and medium sized commercial and apartment projects. The division has also been invited to tender for opportunities including multi-level hotel and office construction, office and residential refurbishments, mixed-use projects, student accommodation and large scale aged care projects.

The division has completed ten projects since 2005, delivering over 1,000 apartments with a total construction value of approximately \$480 million. Major completed projects include 333 Ann Street, and the first three stages of the Hamilton Harbour project, both located in Brisbane.

Difficult market conditions have placed pressure on the trade pricing and margins of the Devine Constructions division, creating a greater requirement for active management. On 22 October 2015 and 1 December 2015, Devine announced a downgrades to its full year earnings guidance for the 12 months to 31 December 2015 (outlined further in Section 7.9.2 of this report). The majority of this downgrade was

due to anticipated trade letting losses on construction contracts of approximately \$11 million. These losses are the result of increases in sub-contractor pricing having to be absorbed by Devine Constructions due to fixed-price contracts.

Constructions currently has four projects underway, three of which are being undertaken for third parties. As at 30 June 2015, the division had work-in-hand of \$224 million to be delivered over the next two and a half years, comprising a pipeline of 857 dwellings. A summary of this pipeline is set out below.

Table 8: Pipeline summary for the Constructions division

Region	Project name	Type	Project structure	Location	Pipeline at June 2015 ¹	Status	Expected completion ²
Qld	38 High Street (Serra Property)	Apt	External	Brisbane	136	Under Construction	2016
Qld	Alex Perry (Chrome Properties)	Apt	External	Brisbane	143	Practical Completion	2015
Qld	Mode (Devine-Daikyo)	Apt	Internal	Brisbane	157	Under Construction	2017
Qld	Vida (Pointcorp)	Apt	External	Brisbane	144	Under Construction	2015
Qld	Westmark Milton (Walker Corp)	Apt	External	Brisbane	277	Under Construction	2016
Total dwellings					857		

Source: Devine

Note 1: Pipeline is defined as dwellings or allotments that are yet to settle

7.2.5 Corporate and divisional overhead

Devine's corporate function incurs overhead costs which relate to:

- remuneration of the executive management team
- certain shared services such as finance, taxation, treasury, IT and marketing
- costs associated with being a listed company such as, director fees, shareholder communications, share registry and listing fees.

In addition, overhead costs are also incurred on a divisional level which relate to remuneration of business unit staff and costs associated with maintaining offices in Queensland, Victoria and South Australia.

Devine management estimates total corporate and divisional overhead costs which are not captured on a project-level basis to be in the order of \$24.8 million per annum. This estimate includes costs associated with being a listed entity of approximately \$0.9 million per annum and assumes a constant level of projects.

7.3 Financial performance

Devine's consolidated financial performance for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015, are summarised below.

Table 9: Financial performance

For the period ending \$'000 unless otherwise stated	31-Dec-13 12 months ¹	31-Dec-14 12 months	30-Jun-15 6 months
Revenue	280,357	333,498	144,377
Cost of properties sold	(271,524)	(267,568)	(120,069)
Gross profit/(loss)	8,833	65,930	24,308
Other revenue	4,700	10,811	2,070
Expenses, excluding finance expenses	(94,914)	(60,073)	(25,071)
Finance expenses	(5,543)	(6,339)	(2,465)
Share of net (loss) of joint ventures accounted for using the equity method	(4,953)	(307)	(39)
Profit/(loss) before income tax	(91,877)	10,022	(1,197)
Income tax (expense)/benefit	14,191	(6,423)	2,099
Profit/(loss) for the year	(77,686)	3,599	902
Other measures			
Normalised gross profit/(loss)	64,010 ²	61,989 ³	n/a
Normalised gross profit/(loss) margin (%)	22.8%	18.6%	16.8%
Normalised profit /(loss) before income tax	(11,828) ²	6,081 ³	2,705 ⁴

Source: Devine 2014 Annual Report; 2014 and 2015 Half-Year Reports

Note 1: Based on the aggregate of Devine's financial performance for the two six month periods ended 30 June 2013 and 31 December 2013

Note 2: Excludes write-down of inventory included in cost of properties sold (\$55.2 million), impairments (\$22.0 million) and restructuring costs (\$2.8 million)

Note 3: Excludes write-back of inventory included in cost of properties sold (\$3.9 million)

Note 4: Excludes housing business losses (\$3.5 million) and restructure costs (\$0.4 million)

With regard to Devine's financial performance, we note:

- Devine reported a pre-tax loss of \$91.9 million for the year ended 31 December 2013. The Company's financial performance during this period was negatively impacted by the following:
 - the continued downturn in many markets where the Company operates and the strategy of price discounting which was employed to accelerate the trading exit of certain projects
 - termination by Devine in June 2013 of a conditional contract for the sale of one of its property development assets, and subsequent impairment charge recorded in relation to this asset of \$10 million (before tax)
 - a review of the Company's carrying values which was completed in October 2013, resulting in an impairment charge of \$70 million (before tax)
- Devine's financial performance improved in the year ended 31 December 2014, reporting pre-tax profit of \$10.0 million. The Company attributes this improvement to:
 - the transformation initiatives undertaken in response to the prior year results. These included the activation of a capital recycling plan which reduced debt by \$79.6 million; initiating the exit of a number of marginal projects via partial or complete sale of some interests; pursuing the accelerated trade-out of previously impaired projects; and structural and operational changes to reduce overhead costs

- an improvement in trading conditions in many of the residential markets in which Devine operates, supported by the prevailing record low interest rates
- during the six months ended 30 June 2015, Devine restructured its housing division, incurring restructuring costs of \$1.5 million which negatively impacted reported financial performance.

Devine's consolidated financial performance by operating division for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015, is summarised below.

Table 10: Financial performance by operating division

For the period ending \$'000 unless otherwise stated	31-Dec-13 12 months ¹	31-Dec-14 12 months	30-Jun-15 6 months
Segment revenue			
Housing	117,932	116,386	48,067
Communities	113,280	125,092	48,182
Development	26,359	14,268	3,365
Construction	26,496	86,752	46,407
Other	990	1,811	426
Total segment revenue	285,057	344,309	146,447
Segment results before tax			
Housing	(11,665)	(4,761)	(3,502)
Communities	(65,940)	8,200	404
Development	(14,537)	7,122	1,920
Construction	3,098	3,035	724
Other	(2,833)	(3,574)	(743)
Total profit/(loss) before income tax	(91,877)	10,022	(1,197)
Income tax (expense)/benefit	14,191	(6,423)	2,099
Profit/(loss) for the year	(77,686)	3,599	902

Source: Devine 2014 Annual Report, 2014 and 2015 Half-Year Reports

Note 1: Based on the aggregate of Devine's financial performance for the two six month periods ended 30 June 2013 and 31 December 2013

With regard to the operating division results set out above, we note:

Housing

- during 2013, Devine undertook a restructure of its Housing division, which involved the refinement of the housing range, introduction of new products, realignment of staff numbers to reflect activity and centralising the operating model. The loss before tax of \$11.7 million is partially due to restructuring costs of \$2.8 million
- during 2014, while structural changes to the division generated productivity gains, profitability was impacted by the status of the aged pipeline of housing starts in some regions. Wholesale building opportunities continued to supplement the housing business throughout the year
- during the six month to 30 June 2015, Devine undertook a further restructure of the division, with management making the decision to cease taking on construction of new detached housing contracts and focusing solely on medium density construction. Restructuring costs of \$1.87 million were incurred, negatively impacting the results for this period

Communities

- the segment result for 2013 included impairment charges totalling \$62.1 million relating to a number of projects
- the segment result improved during 2014, attributed to an uplift in settlements in Queensland and Victoria
- for the half year to 30 June 2015, the segment result was negatively impacted by the volume of settlements occurring across impaired projects

Development

- segment profitability for 2014 can be attributed largely to the sale of its share of the apartment project site in Parramatta, NSW. The segment also completed 136 settlements during the period, with segment's first settlements in the DoubleOne3 apartment project and the final settlement of developed apartments at Hamilton Harbour
- segment revenue was low during the half year to 30 June 2015 as no apartment projects were completed during the period, with settlement volumes representing only residual stock in completed projects

Construction

- segment revenue grew during both 2014 and the half year to 30 June 2015, predominantly driven by an increase in the number of external construction projects. Despite this revenue growth, segment profitability decreased during these periods due to pricing pressures experienced on individual projects, and pricing decisions made to establish a position in the external construction market

Other

- comprises any corporate overhead costs or finance costs which have not been fully allocated to the operating divisions of Devine.

7.4 Cash flow

Devine's consolidated cash flow statement for the years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015, is summarised below.

Table 11: Cash flow

For the period ending \$'000	31-Dec-13 12 months ¹	31-Dec-14 12 months	30-Jun-15 6 months
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	312,440	364,331	161,927
Payments to suppliers and employees (inclusive of goods and services tax)	(297,919)	(307,372)	(127,017)
Profit distributions received from joint ventures	2,993	-	-
Interest received	1,198	2,180	497
Interest and borrowing costs paid	(12,302)	(12,436)	(4,017)
Income taxes received	306	29	-
Net cash inflow/(outflow) from operating activities	6,716	46,732	31,390
Cash flows from investing activities			
Payments for plant and equipment	(2,453)	(644)	(124)
Payments for investments in joint ventures	(7,921)	(797)	26
Payments for investments in land inventory	(13,058)	(31,784)	(138)
Loans to joint ventures	(15,412)	(7,595)	(6,658)
Repayment of loans by joint ventures	217	21,246	1,451
Equity distributions received from joint ventures	4,547	24,063	-
Proceeds from sale of plant and equipment	14	-	-
Proceeds from sale of equity accounted investments	6,600	9,369	-
Proceeds from sale of 50% interest in subsidiary	-	-	1,430
Net cash inflow/(outflow) from investing activities	(27,466)	13,858	(4,013)
Cash flows from financing activities			
Proceeds from borrowings	115,124	60,361	7,190
Repayment of borrowings	(103,483)	(114,093)	(34,900)
Net cash inflow/(outflow) from financing activities	11,641	(53,732)	(27,710)
Net increase/(decrease) in cash and cash equivalents	(9,109)	6,858	(333)

Source: Devine 2014 Annual Report; 2014 and 2015 Half-Year Reports

Note 1: Based on the aggregate of Devine's cash flow for the two six month periods ended 30 June 2013 and 31 December 2013

We note that despite of the weak profitability of Devine's business operations in recent years, the implemented capital recycling and restructuring initiatives together with improved market conditions have generated substantial net cash inflows from both operating and investing activities during the most recent 18 month period, which have been primarily used to repay debt. Should Devine seek to grow its future earnings, it will be required to reinvest a portion of recent cash inflows into its project pipeline.

7.5 Financial position

The financial position of Devine as at 30 June 2014 and 2015 is set out below.

Table 12: Financial position

As at \$'000	30-Jun-14	30-Jun-15
Current assets		
Cash and cash equivalents	23,500	17,789
Receivables	53,802	39,230
Inventories	103,273	95,228
Prepayments	777	766
Total current assets	181,352	153,013
Non-current assets		
Receivables	19,734	27,395
Inventories	195,207	169,369
Investments accounted for using the equity method	17,953	19,456
Property, plant and equipment	2,294	2,272
Deferred tax assets	4,863	5,677
Intangible assets	3,316	3,316
Total non-current assets	243,367	227,485
Total assets	424,719	380,498
Current liabilities		
Advances and other payables	76,355	80,323
Interest bearing loans	4,670	43,499
Provisions	3,158	3,226
Derivative financial instruments	-	102
Non-interest bearing loans	25,520	176
Total current liabilities	109,703	127,326
Non-current liabilities		
Advances and other payables	9,391	2,222
Interest bearing loans	58,767	-
Provisions	1,183	1,380
Derivative financial instruments	213	-
Total non-current liabilities	69,554	3,602
Total liabilities	179,257	130,928
Net assets	245,462	249,570
Ratios and other items		
NTA per share	\$1.53	\$1.55
Book gearing ¹	16.3%	7.2%
Market gearing ²	29.2%	20.6%

Source: Devine 2014 and 2015 Half-Year Reports

Note 1: Book gearing is calculated based on net debt divided by net assets plus net debt

Note 2: Market gearing is calculated based on net debt divided by market capitalisation at the balance date plus net debt

With regard to Devine's financial position, we note:

- as at 30 June 2015, receivables primarily comprise amounts owed by joint venture partners in relation to prevailing funding structures for the respective projects. Receivables also include construction revenue accruals and amounts owed in relation to englobo sales
- inventory relates to work in hand and land held for sale which comprise capitalised acquisition and development costs. There has been a decrease in inventories (both current and non-current) and a proportionally greater reduction in non-current inventory. The reduction is primarily due to a decrease in capitalised development costs arising from a reduction in new projects
- investments accounted for using the equity method represent interests held by Devine in a number of projects operated through joint venture entities in Devine's Communities and Developments divisions
- the intangible assets position reflects the value attributed to the Devine brand
- as at 30 June 2015, Devine had total tax losses of \$53.0 million which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met. Deferred tax assets in respect of \$23.7 million of these losses had not been recognised by Devine as there is not sufficient certainty that future taxable amounts will be available in the short term to utilise these losses or that loss recoupment tests will be met
- advances and other payables comprise trade creditors, accruals and amounts owing in respect of Devine's share of equity contributions to joint ventures
- total interest bearing loans were reduced by approximately \$20 million between 30 June 2014 and 30 June 2015. This reduction is consistent with Devine's current strategy of using cash received from operations and the sale of projects to reduce gearing
- non-interest bearing loans relate to vendor funding arrangements and were settled in accordance with contractual maturity dates
- as at 30 June 2015, Devine's entire balance of interest bearing loans was classified as a current liability, given its senior debt facility was due to expire on 31 August 2015. We note that the maturity date of this facility was subsequently extended by one year to 31 August 2016
- as at 30 June 2015, current interest bearing liabilities included an amount of \$2.6 million relating to a project debt facility of a joint venture operation which was due to expire on 31 August 2015. Subsequent to the balance date, the maturity date of this facility has been extended to 31 August 2016
- the derivative financial instruments relate to interest rate swaps recorded at fair value. Devine uses these financial instruments to maintain at least 50% of its borrowings at fixed rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All swaps are due to expire in December 2015.

7.5.1 Contingent liabilities

At 30 June 2015, Devine reported the following contingent liabilities:

- bank guarantees and surety bonds, which totalled \$35.7 million, provided in relation to individual land developments and other aspects of Devine's business operations. The guarantees and bonds are secured by charges over the assets of the respective entities
- guarantees from Devine's joint venture partners for the performance of joint venture debt totalling \$23.3 million. The debt is secured against assets of the joint ventures with a recorded value of \$64.4 million and is to be repaid from the property sales of the joint ventures.

Devine management does not expect any material liabilities to arise from the guarantees outlined above, and is not aware of any other material contingent liabilities to be considered for the purposes of this report.

7.6 Capital structure and ownership

As at 7 December 2015, Devine's issued capital comprised the following:

- 158,730,556 Devine Shares
- 437,750 Devine Options
- 820,235 Devine Share Rights.

We understand that the Offer does not trigger a change of control event which would result in an accelerated vesting of the outstanding Devine Share Rights. Further, the outstanding Devine Options are currently out of the money and therefore, the total number of shares on a fully diluted basis is currently equal to the total number of issued Devine Shares.

7.6.1 Substantial shareholders

The substantial shareholders of Devine as at 7 December 2015 are set out below.

Table 13: Substantial shareholders

Shareholder	Number of shares held	% of ordinary share capital
CRI	80,368,643	50.63%
Brazil Farming Pty Ltd	22,833,735	14.39%
Total	103,202,378	65.02%

Source: Devine ASX announcements

7.6.2 Shareholder distribution

Devine's shareholder distribution as at 18 March 2015 is set out below.

Table 14: Number of ordinary shares on issue and distribution of holdings

	Number of Shareholders	Number of shares held	% of ordinary share capital
1 - 1,000	858	295,248	0.19%
1,001 - 5,000	1,064	2,618,087	1.65%
5,001 - 10,000	410	3,051,597	1.92%
10,001 - 100,000	635	18,067,147	11.38%
100,001 and over	85	134,698,477	84.86%
Total	3,052	158,730,556	100.00%

Source: Devine 2014 Annual Report

7.6.3 Interests held by Directors and management personnel

Devine's Directors and management personnel hold interests in the company in the form of ordinary shares, options and performance rights. Details of interests held by these individuals are set out below.

Devine Shares

As at 7 December 2015, the Directors and management personnel of Devine held the following Devine Shares (either directly or indirectly).

Table 15: Director's and management personnel relevant interests

Name	Position	Balance
Directors		
P J Dransfield	Chairman	200,000
J S Downes	Non-executive Director	55,000
Total holdings of Devine Shares		255,000

Source: Devine 2014 Annual Report; ASX announcements

Devine Share Rights

Devine's remuneration framework includes a long term incentive plan under which performance rights are granted for no cost, entitling the holder to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Board.

The performance rights issued in September 2013 are for a term of three years and vest automatically on the satisfaction of both the service condition and performance hurdles in September 2016. These rights will be automatically exercised in the event of a change of control.

In January 2014, the plan was amended so that for subsequently issued rights, the Board has discretion regarding whether rights vest in the event of a change of control.

As at 7 December 2015, the number of Devine Share Rights outstanding totalled 820,235.

Devine Options

Devine's remuneration framework historically included an option scheme, under which options were issued to management personnel of Devine. This scheme was replaced by the current long term incentive plan (outlined above) which was approved by shareholders in November 2013. No further options were issued under the scheme.

The exercise price of options issued under the scheme, is based on the weighted average price of Devine Shares during the five days immediately before the options were granted.

As at 7 December 2015, the number of Devine Options outstanding totalled 437,750. These options will expire on 28 October 2016, and have an exercise price of \$0.914.

7.7 Share price performance

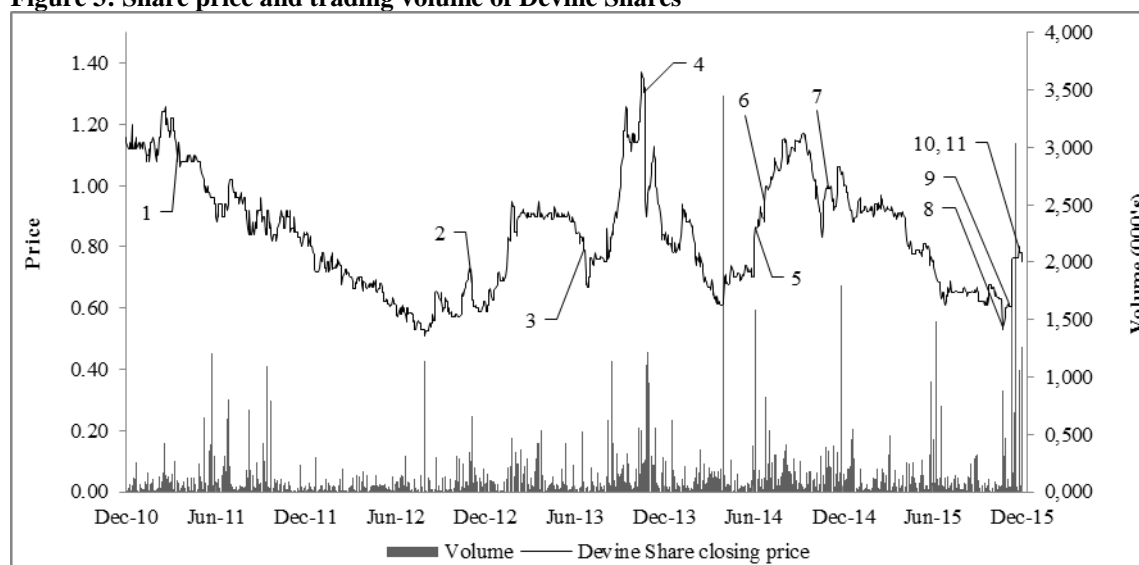
In assessing Devine's share price performance, we have:

- analysed Devine's share price and trading volume over the five years to 1 December 2015
- compared the share price performance of Devine to the All Ordinaries Index over the same five year period, and
- analysed the trading liquidity of Devine Shares.

7.7.1 Share price and trading volume

Devine's share price and trading volume over the five year period to 1 December 2015 is illustrated below.

Figure 3: Share price and trading volume of Devine Shares



Source: S&P Capital IQ; KPMG Corporate Finance analysis

During the period illustrated above, the trading price of Devine Shares ranged between a low of \$0.51 in August 2012 and a high of \$1.37 in October 2013. Key events which influenced the trading price and volume of Devine Shares during this period include:

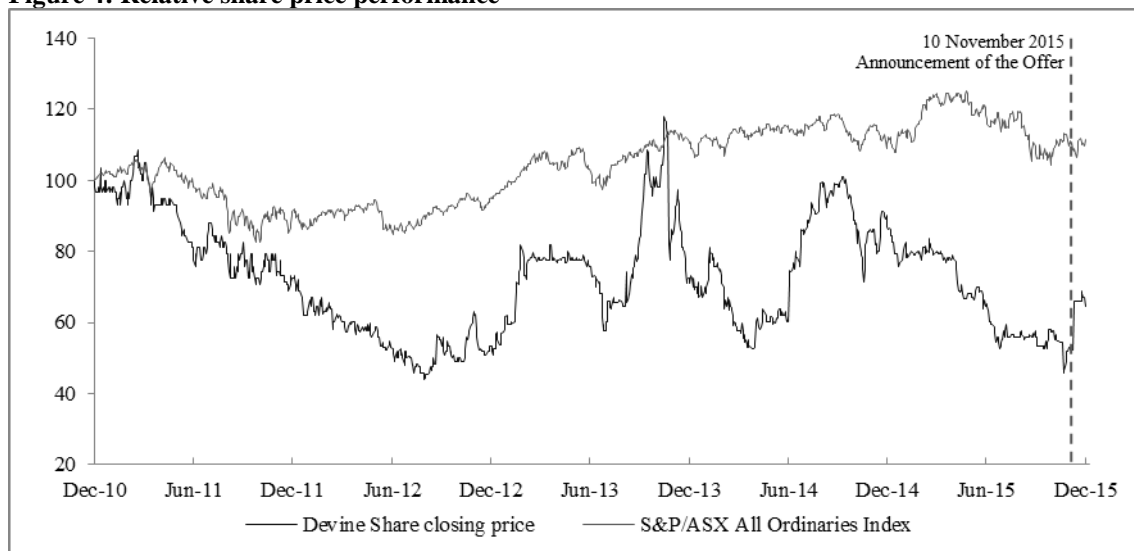
- 1 On 19 March 2011, Devine announced an increase in its development pipeline in Victoria by a further 870 lots, resulting in an increase in the Company's Victorian land bank by more than 23% to 4,450 equivalent lots when fully developed.
- 2 On 5 November 2012, Devine provided guidance that following a scheduled business review, it expected to deliver profit before tax of \$10 million for the year ended 30 June 2013.
- 3 On 27 June 2013, Devine announced that it expected to deliver underlying profit before tax for the year ended 30 June 2013 broadly in line with its guidance of \$10 million. The Company also announced that it would record an impairment charge of \$10 million (before tax) on the carrying value of one of its property assets.
- 4 On 25 October 2013, Devine announced that following a scheduled business review, an impairment charge of up to \$70 million (before tax) would be incurred. Devine announced that it expected an underlying loss before tax of approximately \$15 million for the six months ended 31 December 2013. The Company also providing guidance that it expected to return to profit in the year ended 31 December 2014, delivering underlying profit before tax in the range of \$7 million to \$10 million.
- 5 On 4 June 2014, Devine revised its profit guidance for the year ended 31 December 2014 upward from between \$7 million and \$10 million to between \$12 million and \$14 million. The improved profit guidance was attributable to a number of delivery and transaction milestones being brought forward into the reporting period. The Company also announced that it had recorded over \$110 million in major asset sales in the last six months as part of its capital recycling plan.
- 6 On 25 June 2014, Devine announced that CIMIC has commenced a confidential expression of interest process to seek potential acquirers of its 50.6% interest in Devine.
- 7 On 3 November 2014, Devine revised its profit guidance downward for the year ended 31 December 2014 from between \$9.8 million and \$10.89 million to between \$6.5 million and \$7.5 million. This was primarily attributed to delays in third party actions that delayed land registrations, which in turn postponed both land settlements and housing starts.
- 8 On 22 October 2015, Devine revised its profit guidance downward for the year ending 31 December 2015 from between \$10 million and \$13 million to nil. This was primarily due to anticipated losses within Devine's Constructions division of an estimated \$8 million, and a reduction in land settlements as a result of delays in civil construction and land title registration.
- 9 On 10 November 2015, CIMIC announced its intentions to make an off-market takeover offer for all of the shares of Devine not already owned for \$0.75 cash per share.
- 10 On 25 November 2015, the IBC advised that it recently received a confidential non-binding, indicative proposal to acquire all of the shares of Devine for \$0.90 cash per share via a scheme of arrangement. The proposal was received from Forum. In response to this announcement, the price of Devine Shares increased from \$0.765 to close at \$0.80 (an increase of approximately 4.6%).

- 11 On 1 December 2015, Devine further revised its profit guidance downward for the year ending 31 December 2015 from nil to a loss before tax of greater than \$11 million, excluding any costs associated with the CIMIC takeover offer. This was attributed to additional trade letting losses to those previously identified within Constructions, with an impact of approximately \$3 million, together with a further reduction in land settlements as a result of additional delays in civil construction and land title registration.

7.7.2 Relative share price performance

The trading performance of Devine over the five years to 1 December 2015 relative to the S&P ASX All Ordinaries Index (All Ords Index) is illustrated below.

Figure 4: Relative share price performance



Source: S&P Capital IQ

Devine's share price has underperformed the All Ords Index during the five years to 1 December 2015 by approximately 47%. While this underperformance may be attributable to a range of factors, the primary factors are likely to include:

- impairments recorded in relation to a number of legacy projects
- unfavourable trading conditions in some of the residential markets in which Devine operates
- poor profitability during this period, particularly from its Housing segment
- profit downgrades relating to the years ended 31 December 2013 and 2014
- uncertainty regarding the formal sale process
- risks associated with maturity of Devine's senior finance facility
- the recent profit downgrade relating to the year ending 31 December 2015, and the resignation of the Company's CEO and General Manager of the Constructions division.

7.7.3 Liquidity and Volume Weighted Average Price

The trading liquidity and Volume Weighted Average Price (VWAP) of Devine Shares is summarised below for the 12 months to 9 November 2015 (being the trading day prior to announcement of the Offer).

Table 16: Liquidity and VWAP

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital	% of approx. free float ¹
1 week	0.60	0.62	0.60	0.1	0.1	0.1	0.2
1 month	0.53	0.64	0.58	1.6	2.7	1.7	4.6
3 months	0.53	0.70	0.61	3.5	5.7	3.6	9.5
6 months	0.53	0.84	0.67	9.1	13.6	8.6	22.8
12 months	0.53	1.07	0.81	22.4	27.8	17.5	46.6

Source: S&P Capital IQ

Note 1: Based on an assumed free float percentage of 37.6%

We consider the percentage of Devine Shares traded during the periods set out above demonstrate a low level of liquidity.

Given the substantial interest held by CIMIC and Brazil Farming (which totalled 65.0% at 7 December 2015), we have also analysed the percentage of Devine's free float which has been traded. This analysis indicated that 46.6% of Devine's free float traded during the 12 months to 9 November 2015.

7.8 Dividends

Devine ceased paying dividends from 30 June 2012, when it paid a final dividend of 2 cents per Devine Share.

In the Company's results presentation for the half year ended 30 June 2015, Devine stated that it expected to pay a full year dividend on achieving its profit guidance for the year ending 31 December 2015 (being profit before tax of \$10 million to \$13 million). Given Devine's subsequent profit downgrade, it appears unlikely that a dividend will be paid for the year ending 31 December 2015.

Devine's franking credit balance as at 30 June 2015 was \$9.477 million.

7.9 Outlook

7.9.1 Strategy

During the five years to 30 June 2015, there has been a reduction in the total number of dwellings in Devine's pipeline (as set out in the table below). The cash inflows generated from this reduction have been largely applied to repaying debt.

Table 17: Pipeline (number of dwellings)

As at	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14	30-Jun-15
Land and housing	13,144	12,202	11,446	9,339	8,082
Apartments	2,748	2,324	2,371	1,663	1,973
Constructions	n/a	n/a	n/a	844	1,014
Total	15,892	14,526	13,817	11,846	11,069

Source: Devine

As part of the Offer, CIMIC announced that it will conduct a strategic review of Devine's businesses. As a consequence, there is a high degree of uncertainty as to whether Devine's strategic focus (as at October 2015) which is set out below will be maintained:

- expanding the Company's apartment development business via new project opportunities of varying scales
- replenishing the Communities development portfolio within the geographic zones the Company currently operates
- shifting the operating model of the Housing division to focus on medium density and integrated housing operations
- leveraging the Company's balance sheet and low gearing to drive improved profit outcomes.

7.9.2 Guidance

On 22 October 2015, Devine revised its profit before tax guidance for the year ending 31 December 2015 downward from the range of \$10.0 million and \$13.0 million to nil. On 1 December 2015, Devine further revised its profit guidance downward from nil to a loss before tax of greater than \$11 million, excluding any costs associated with the CIMIC takeover offer.

These downward revisions were attributed to:

- losses within the Devine Constructions division due to sub-contractor price increases which Devine had to absorb on certain fixed-price contracts, with an impact of approximately \$11 million
- a reduction in land settlements as a result of delays in civil construction and land title registration. A number of lots in stages that have pre-sales in both Victoria and Queensland will not meet construction timetables to facilitate customer settlements in 2015. These settlements will now occur in 2016.

No further guidance has been provided by management of Devine, and as the Company is currently not covered by brokers, consensus forecasts are not available.

8 Valuation of Devine

8.1 Summary

We have valued the equity in Devine in the range of \$132.9 million to \$149.5 million, which corresponds to a value of \$0.84 to \$0.94 per Devine share. Our valuation assumes 100% ownership of Devine and therefore incorporates a control premium.

The assessed value for Devine reflects the aggregate of the estimated market value of Devine's major projects adjusted for overhead costs, other assets and liabilities, less net debt. Our valuation of Devine is summarised in the table below and detailed in the remainder of this Section.

Table 18: Valuation summary

\$'000 (unless otherwise stated)	Section reference	Value range	
		Low	High
Value of major projects	8.3	208,556	223,125
Other assets and liabilities	8.4	(21,723)	(19,723)
Less: Net debt (look-through basis)	8.5	(53,948)	(53,948)
Value of equity		132,885	149,454
Number of shares on issue	7.6	158,730,556	158,730,556
Value per Devine Share (\$)		0.84	0.94

Source: KPMG Corporate Finance analysis, Devine

Note: Table may not sum due to rounding

8.2 Methodology

8.2.1 Overview

Our valuation of Devine has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to a pool of purchasers, both financial and trade. It does not include any other strategic or operational synergies that may be unique to CIMIC. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of a sustainable level of earnings (Capitalised Earnings)
- the discounting of expected future cash flows to present value (DCF)
- the estimation of the net proceeds from an orderly realisation of assets (Net Assets)
- trading prices for the company's shares which may be listed on an exchange, such as the ASX.

These methodologies are discussed in greater detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is typically adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the fair value of a minority interest where trading is liquid and no takeover speculation is evident.

8.2.2 Selection of methodology

As Devine operates a number of businesses which hold interests in various projects and investments, we have adopted a sum-of-the-parts approach to valuing Devine. This involved valuing each of Devine's projects and investments using an appropriate valuation methodology, with the value of Devine being the sum of these values, less the capitalised value of corporate costs required to execute the ongoing projects, plus the value of any other assets and liabilities. Our assessment of value also required us to form a view as to the value a hypothetical third party acquirer may attribute to Devine's tax losses or its capability to secure funding, replenish its development pipeline and leverage its brand, supply chain relationships and workforce in order to generate appropriate capital returns (development platform).

In valuing Devine's major projects, we adopted the DCF approach as our primary methodology given the profile and finite nature of the cash flows generated. Devine has prepared detailed cash flow models for all its major projects across its various divisions which formed the basis for our DCF approach. Whilst we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, we have made sufficient enquires to satisfy ourselves that the cash flow forecasts have been prepared on a reasonable basis. Refer Section 8.3.2 below for more detail on the process undertaken by Devine in determining the cash flow forecasts.

In valuing Devine's minor projects (most of which are largely completed) and any other assets or liabilities not captured in the cash flow forecasts, such as non-allocable working capital, we adopted the Net Assets approach on the basis that we have made sufficient enquires to satisfy ourselves that the respective book values are either reasonable proxies of fair value, or appropriate adjustments could be made to reach fair value.

As a cross check of the sum-of-the-parts value of Devine, we referred to:

- recent trading price performance of Devine Shares. Trading has been materially impacted by recent underperformance of the business, combined with low trading volumes as a consequence of the reduced free float caused by CIMIC's controlling interest. Whilst this limits the suitability of the trading price as a primary methodology, it nevertheless provides an indication of the market's view of the current value of Devine and therefore is suitable for cross-check purposes
- the Alternative Proposal, as it provides a relevant reference point as to the market value of a Devine Share on a controlling interest basis as assigned by a willing, but not anxious buyer

- the implied NTA multiple of our assessed value range of Devine, having regard to market evidence.

We did not apply the Capitalised Earnings approach as a primary methodology or for cross check purposes. Devine's recent performance has been impacted by asset impairments and a company restructure such that it has been unable to demonstrate a stable earnings profile which is necessary for the application of the Capitalised Earnings approach. Further, recent earnings guidance for FY15 provided by management is expected to be loss making, with no guidance provided for FY16 by either the company or brokers.

8.2.3 Control premium considerations

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Devine and therefore our valuation is inclusive of a premium for control. More specifically:

- in valuing the major projects, the DCF approach incorporates a control premium as it was based on 100% of the cash flows generated by each of the projects. Further, Devine's interest in each project where other parties are involved has been based on its pro-rata share of these control values
- when adopting the Net Assets approach to valuing Devine's minor projects and other assets and liabilities, no adjustment was made for any minority interest discount against the value of these net assets where Devine's share was less than 100%
- as we consider any acquirer of 100% of Devine would be able to save the costs associated with being a publicly listed company, we have excluded these costs for the purposes of our valuation assessment.

8.3 Value of major projects

As summarised in the table below, KPMG Corporate Finance has determined the value of Devine's major projects to be in the range of \$208.6 million to \$223.1 million.

Table 19: Value of major projects

\$'000 (unless otherwise stated)	Value range	
	Low	High
Communities	194,893	208,922
Developments	8,840	9,576
Housing	20,363	20,860
Constructions	(3,063)	(3,092)
Corporate overhead	(12,477)	(13,141)
Value of major projects	208,556	223,125

Source: KPMG Corporate Finance analysis, Devine

Note: Table may not sum due to rounding

The value of Devine's major projects was determined by aggregating the value of its interests in the major projects across the Communities, Developments, Housing and Constructions divisions (including the present value of management fee income derived from these projects), less the present value of allocated overhead costs, both on a divisional and corporate level.

The underlying assumptions adopted in the DCF valuations of the major projects are discussed in the remainder of this Section.

8.3.1 Major projects

The table below summarises the major ongoing projects which have been valued using the DCF approach.

Table 20: Major ongoing projects

Region	Project name	Type	Project structure	Percentage owned	Location	Status
Communities						
Qld	Eden's Crossing	Land	Owned	100%	Ipswich	Now Selling
Qld	Mountview	Land	Owned	100%	Ipswich	Now Selling
Qld	Riverparks	Land	Owned	100%	Townsville	Now Selling
Qld	Riverstone Rise	Land	LMA	100%	Gladstone	Now Selling
Qld	Waverley Parks	Land	Owned	100%	Gold Coast Nth.	Now Selling
Vic	Newbridge, Wallan	Land	JV	50%	Melb. Regional	Englobo Sale
Vic	Parks Edge	Land	JV	55%	Melbourne Sth	Now Selling
Vic	Pennyroyal	Land	JV	50%	Melbourne Nth-West	Now Selling
Vic	Stonehill	Land	JV	50%	Melb. Regional	Now Selling
SA	Orleana Waters	Land	LMA	100%	Adelaide North	Now Selling
SA	Mawson Green at Meadows	Land	Owned	100%	Adelaide Hills	Now Selling
SA	Woodforde Site	Land	JV	50%	Adelaide East	Planning
Developments						
Qld	Mode Newstead	Apt	JV	50%	Brisbane	Now selling
Qld	Tribune Site	Apt	JV ¹	50%	Brisbane	Planning
Housing						
Qld	Brookside	Built Form	Owned	100%	Ipswich	Planning
Qld	Parkview Terraces	Built Form	Owned	100%	Gold Coast Nth.	Now Selling
Qld	Proximity	Built Form	Owned	100%	Ipswich	Now Selling
Qld	The Junction Terraces	Built Form	Owned	100%	Ipswich	Planning
Vic	Essence Terrace Homes	Built Form	Owned	100%	Melbourne Sth-East	Now Selling
Vic	Parklea Terraces	Built Form	Owned	100%	Melbourne Nth-West	Now Selling
SA	Hamilton Terraces	Built Form	Owned	100%	Adelaide North	Now Selling
SA	Robertson Terraces	Built Form	Owned	100%	Adelaide North	Planning
SA	Seymour Terraces	Built Form	Owned	100%	Adelaide North	Now Selling
SA	Vicinity	Built Form	Owned	100%	Adelaide North	Planning
Constructions						
Qld	38 High Street (Serra Property)	Apt	External	100%	Brisbane	Under Construction
Qld	Alex Perry (Chrome Properties)	Apt	External	100%	Brisbane	Practical Completion
Qld	Mode (Devine-Daikyo)	Apt	Internal	100%	Brisbane	Under Construction
Qld	Vida (Pointcorp)	Apt	External	100%	Brisbane	Under Construction
Qld	Westmark Milton (Walker Corp)	Apt	External	100%	Brisbane	Under Construction

Source: Devine

Note: Table may not sum due to rounding

Note 1: JV partner yet to be determined

In relation to the projects outlined above, it is noted:

Communities

- Riverparks, Mountview, Waverley Parks, Eden's Crossing and Mawson Green Meadows are wholly owned by Devine, which owns the land as well as being the developer of the project. The cash flow projections reflect the profits resulting from land sale proceeds, less development, marketing and selling costs
- For Riverstone Rise and Orleana Waters, Devine develops the land under a Land Management Agreement (LMA) under which payments for the land (typically based on a percentage of gross sales) are progressively made to the land owner as each plot is settled. The cash flow projections reflect the profits resulting from land sale proceeds, less payments to the land owner, and development, marketing and selling costs
- Devine has entered in a number of joint venture (JV) arrangements to facilitate the development of the land assets to which they relate. Devine's economic interest in the JV comprises its share of JV profits, plus 100% of management fee income payable by the JV in recognition of the development, marketing and selling activities which Devine is responsible for. More specifically:
 - whether proportionately or equity accounted, we have valued Devine's interest in the JV based on its ownership interest, without applying any minority interest discount
 - for Pennyroyal, the JV owns the site and therefore Devine is entitled to a share of the net proceeds from sale of land as captured by the JV profits, as well as management fees to cover development, marketing and selling activities
 - for Parks Edge, Devine owns the site with the JV partner being entitled to a share in the project under the joint venture agreement
 - for Woodforde, settlement on land acquisition is subject to development approval (expected first quarter 2016), with Devine responsible for development activities only, whilst the JV partner is responsible for marketing and sales
 - Stonehill is a JV between Devine and a private land owner. The JV develops, markets and sells the land under a LMA. Devine provides development management, marketing and sales services to the JV for which it receives management fee income
 - Wallan is a JV with renegotiated terms under which Devine owns the land, with the JV partner responsible for all development, marketing and sales activities. Devine receives a preferred payment upon lot settlement, subject to a minimum number of settlements per annum up to 450 lots in total. The remaining lots are assumed to be sold on an englobo basis.

Developments (Apartments)

- Mode is a JV which owns the site. Devine provides development management services to the JV, and owns the management rights to the building which have been pre-sold to a third party. Devine Constructions is the contractor, which expects to complete construction during the last quarter of 2016, with settlement completion by early 2017

- Tribune is proposed to be structured as a 50/50 JV, with the JV partner yet to be determined. A contract has been entered into to secure the site with acquisition payments due in December 2015. Devine will be the developer and will also own the management rights to the building. Construction is due to complete by late 2017, with settlement completion by early 2018

Housing

- Housing cash flows have been provided on a state basis. For the Queensland and South Australian projects, the projections reflect the net proceeds (post construction, marketing and selling costs) on the built form component of the current house/terrace and land pipeline on a run-off basis. For the Victorian projects, the projections also include the wholesale housing starts expected under the Gull contract

Constructions

- the cash flow forecasts prepared for the Constructions division represent the net proceeds (post construction, marketing and selling costs) expected from Devine's five ongoing construction projects, as well as minor outlays expected for rectification work on previously completed contracts.

8.3.2 Cash flow forecasts

Devine maintains cash flow models for each of its major ongoing projects. These cash flows are updated periodically based upon actual expenditures and receipts (looking backwards) and updated forecasts (looking forwards). These cash flows have been provided to KPMG Corporate Finance on a pre-tax, pre-overhead, ungeared basis and form the basis of the DCF valuations.

KPMG has reviewed each cash flow and discussed the approach taken to determine the cash flow inputs with the project teams. Whilst we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, or tested the mathematical integrity of the models, we have made sufficient enquires and where considered necessary appropriate adjustments to satisfy ourselves that the cash flow forecasts have been prepared on a reasonable basis for the purposes of our valuation assessment.

In general, the approach taken in determining the project cash flow cost, revenue and escalation inputs is considered reasonable and in line with the market practice of determining the pre-tax, ungeared returns generated by each project.

For each division, a summary of the basis of the key assumptions underlying the cash flow forecasts is outlined below:

Communities and Developments

- *Residential lot / unit sales receipts.* For Communities projects, future stages are priced on the basis of historic sales and market analysis. It is uncommon for discounts to be provided to buyers and therefore listed prices provide an accurate reflection of expected revenues. Forecast receipts for apartment and housing projects are based upon achieved pre-sales and remaining unit pricing, which is assessed following market and competitor analysis

- *Settlement rates.* Settlement rates are assessed based upon historic trends, market research and competitor analysis. The impact of the delivery of key infrastructure items is also accounted for
- *Non-residential unit / lot sales receipts.* Commercial, high density or other non-residential use components for Communities schemes are priced based upon contracted prices or utilising the comparative land valuation approach. Non-residential components of Developments schemes are also priced utilising the comparative valuation approach
- *Land acquisition costs.* All land acquisition costs reflect contractual arrangements with landowners. For site acquisitions, land payments are scheduled in line with contractual obligations. For land management agreements, land payments are made in line with settlements, funded by lot sale proceeds
- *Development costs.* Development costs typically include civil works, site wide infrastructure, landscaping, contingencies, professional fees, statutory fees and contributions, land holding costs (rates and land tax) and development management costs (for JV projects). These costs are assessed based upon contracted rates, tendered rates for preceding stages and pricing supplied by civil engineers. Some projects have an allocation of divisional overheads such as Development Manager salaries and associated costs
- *Costs of sales.* Costs of sales typically include agents' commissions, agents' incentives, rebates and marketing costs. These costs are assessed on a project by project basis having regard to target markets, sales channels and marketing budgets
- *Escalation.* Cost and revenue escalation is determined on a project by project basis having regard to market conditions and historic averages. Typically, revenue escalation exceeds cost escalation, resulting in real growth in revenues. For the majority of projects, escalation rates are deemed to have been assessed based upon a reasonable assessment of these factors.

Housing

- *Time frame.* Devine has provided cash flows for each state through to December 2018 showing the roll out of their existing workbook based upon the current forecast delivery of the respective Communities projects. These cash flows do not assume any additional site acquisitions or business growth
- *Revenues.* Revenues are based on the built form component of the house/terrace and land package price which are derived from individual house sales to buyers and wholesale construction on behalf of developers. The land component is captured in the Communities cash flow. More specifically:
 - individual house sale proceeds are received at settlement. Prices are derived from market price-points and the product is reverse engineered to meet those price-points. Pricing is fixed from the point of release to the market and no escalation is assumed
 - wholesale construction proceeds are received progressively via progress claims. Rolling rates are negotiated periodically, reflecting construction costs plus contingency, movement allowance and margin.

- *Construction costs.* Construction costs are predominantly based upon historic rates and data on a state by state basis. Through delivery of consistent house types, costs are well understood. Where new product is proposed, or a new scheme creates unique cost impacts, internal cost plans are generated and quotes sought for major items (typically accounting for 60% of total cost). This approach, combined with contingency and movement allowances, creates a high level of confidence in the accuracy of construction cost forecasts
- *Sales and marketing costs.* Sales commissions and marketing/advertising budgets are based upon current rates, which assume a continuation of current sales strategies and target buyer segments.

Constructions

- Inflows relate to payments received / forecast to be received including payment of progress claims by developers and where applicable, settlement of disputes with developers or sub-contractors
- Outflows relate to all expenditure items. The cash flow is updated on a monthly basis based upon data received from project managers on actual costs expended and updated expenditure forecasts. Forecasts relate to let trade contracts or project manager forecasts. Outflows include project specific staff costs but exclude divisional and corporate overheads.

To make the projections fit for the purposes of valuing Devine, we made the following additional adjustments:

- *Overheads.* The project cash flows do not incorporate an appropriate allowance for divisional and corporate overhead costs required to execute the projects. Accordingly, we incorporated an amount of divisional overhead costs into the cash flows forecasts on a revenue proportionate basis, whilst we have valued the residual corporate overhead costs separately (refer to Section 8.3.4)
- *Corporate tax.* For owned projects, a nominal tax expense of 30% was applied to the margin earned on each settlement as per the trading stock approach. For LMAs, the tax expense was applied to the pre-interest, pre-tax net cash flows of the project. The tax shield on interest payments was accounted for in the discount rate
- *Working capital.* We included in our DCF valuation the value of any net working capital balances at the valuation date which related to the respective projects but were not captured in the cash flow forecasts
- *Ownership structure.* For projects arranged under a JV structure, we have taken Devine's pro-rata share of the JV cash flows in determining the value of Devine's interest in the project.

8.3.3 Discount rate

In determining the discount rate, we considered the following factors:

- cash flows have been prepared on a post-tax, ungeared basis and therefore the discount rate should be prepared on the same basis, i.e. weighted average cost of capital (WACC)
- the modified Capital Asset Pricing Model (CAPM) is widely adopted for the purposes of determining the cost of equity component of the WACC, since the inputs to the CAPM can be set with reference to observable metrics

- hurdle rates typically adopted by market participants when assessing residential property development projects are typically in the order of 15% to 20% on a pre-tax, pre-overhead and ungeared basis, though can be higher especially for early stage development or fixed-price construction projects with unhedged subcontractor positions. As most of Devine's major projects have already reached the selling stage, a lower risk profile is expected relative to earlier stage projects
- in valuing Devine on a sum-of-the-parts basis, the discount rate applicable to the individual projects should reconcile to a valuation of Devine derived from consolidated group cash flows discounted at a rate applicable for Devine as a whole. Consequently, the Devine WACC would represent a blended rate of return, having regard to the individual discount rates of its underlying projects weighted by the respective project value relative to the value of Devine as a whole
- broker estimates of WACC rates disclosed for comparable companies range from 10% to 12%
- risk should not be double counted (i.e. reflected in both the cash flows and the discount rate). In this regard, we have reviewed the process undertaken by Devine to determine the cash flows and requested adjustments to revenue escalation rates to de-risk the projections where considered appropriate. Since the cash flows have been de-risked, we have not included any additional project specific risk premium adjustments to the discount rate.

On the basis of the above, we have determined a post-tax WACC in the order of 11% to 13% to be appropriate for Devine as a whole. More detail is outlined in Appendix 6. As the ultimate intention is to determine the value of Devine as a whole, we have applied this Group level WACC to the cash flow forecasts of the underlying major projects to ensure consistency of value outcome. Consequently, the individual project values derived under the DCF approach should not be construed as the potential value of the project which may be realised if they were individually sold by Devine.

8.3.4 Corporate costs

Devine incurs costs at the corporate level to manage the project portfolio in its entirety. These costs relate to the senior management and Board, group functions spanning areas such as finance, IT, human resources, capital management and marketing support, and costs associated with its ASX listing including compliance and ongoing disclosure.

We would consider any acquirer of 100% of Devine would be able to at least save the costs associated with being a publicly listed company. The ability to save on other corporate costs is less clear, as it depends on the level of duplication of overhead functions which is dependent on the acquirer. On this basis, we deducted listing related expenses and estimated the residual corporate cost amount over the remaining life of the major projects, scaling them down in proportion to the decline in revenues as major projects are progressively completed. This corporate cost profile was discounted using the Devine WACC.

8.4 Other assets and liabilities

The table below summarises the value of minor projects and any other assets and liabilities not reflected in the cash flow projections of the major projects.

Table 21: Other assets and liabilities

As at 31-Oct-15 \$'000 (unless otherwise stated)	Value range	
	Low	High
Value of minor projects	16,886	18,886
Prepayments	1,195	1,195
Trade creditors	(34,337)	(34,337)
Other creditors	(5,467)	(5,467)
Other assets and liabilities	(21,723)	(19,723)

Source: KPMG Corporate Finance analysis, Devine

Note: Table may not sum due to rounding

These minor projects and other assets and liabilities were valued using the Net Assets approach on the basis that either:

- the asset or liability was recently acquired, valued or represents the face value
- their values could be referenced to observable pricing of comparable assets recently transacted
- their values were immaterial to the overall value of Devine.

The minor projects comprise the following:

- Southbank Townsville is a 50/50 JV that owns a vacant 17.3 hectare land bank earmarked for mixed use development. Development has not yet commenced owing to feasibility constraints. On 1 December 2015, Devine announced that the JV received a Notice of Intention to Resume from Townsville City Council, as the site has been identified as the preferred site for a new stadium development. Accordingly, the city council and the JV have entered into negotiations to determine the price at which the city council would acquire the site from the JV. The net asset value has been based on the range of independent valuations recently commissioned by both parties on the basis that the agreed price would likely fall within this range
- Hamilton Harbour is a mixed use precinct within Hamilton, Brisbane developed under a 50/50 JV. Two remaining assets in the JV include Riverside Strata property which is contracted and due to settle in December 2015 and the KSD2 vacant land parcel, currently unsold with a book value which is supported by recently received expressions of interest
- DoubleOne3 is an eight storey apartment building within Teneriffe, Brisbane developed by a 50/50 JV. Construction completed in July 2014, with two apartments and management rights remaining unsold. The book value of the management rights is based on a multiple consistent with the pricing of similar agreements transacted in the past. Apartment values are based on the expected price likely to be achieved in the current market
- Trafalgar is a development site in East Brisbane for which Devine recently entered into a sale and purchase agreement. Settlement is still subject to development approval and Board approval has not yet been obtained for the development of the site and therefore a DCF valuation based on feasibility cash flows was not deemed appropriate given the nascent stage of this project. Accordingly, capitalised costs were used as a conservative proxy for fair value, which is supported by the net proceeds expected to be received in case the land were to be on-sold rather than developed by Devine

- SA Unity / Port Augusta comprises 16 lots to be realised in the ordinary course of business and expected to settle by August 2017
- Henry Road (Edenbrook) comprises a JV with 15 remaining lots of built form due for completion by June 2016. Net proceeds have been determined on a basis consistent with the approach undertaken for the major Housing projects
- sundry land comprises other land parcels to be realised in the ordinary course of business, including but not limited to six lots in Werribee, Victoria due to settle in July 2016.

Other assets and liabilities comprise:

- prepayments, which relate to prepaid operating costs such as insurance, land taxes and finance expenses
- trade and other creditor balances which are not captured in the cash flow projections of the major projects.

8.5 Net debt

Devine's adjusted net debt for valuation purposes is \$54 million, as set out in the table below.

Table 22: Adjusted net debt

As at \$'000 (unless otherwise stated)	31-Oct-15
Secured debt - MOF	60,000
Secured debt - Project funding	7,532
Off balance sheet debt	10,926
Bank overdraft	(9,595)
Less: Cash	(14,915)
Net debt (look-through basis)	53,948

Source: Devine, KPMG Corporate Finance analysis

We note off balance sheet debt includes Devine's share of the debt held in equity accounted JVs. These are included as we have valued the JVs on the basis of their pre-financing project cash flow forecasts.

8.6 Other considerations

8.6.1 Development platform

The aggregate value of Devine's current projects and other tangible net assets does not account for the ability of Devine to acquire and economically develop new land development sites, or what can be considered its 'going concern' value. Such capability represents its development platform, comprising:

- a specialist workforce with established relationships with various stakeholders including land owners, councils, building contractors, engineers and technical consultants, real estate agencies and various other supply chain partners
- a brand which has a reputation in the market as a leading developer of affordable land, and house/terrace and land packages within themed communities, and apartments

- integrated capabilities and associated licenses across the residential development supply chain, from sourcing and developing land assets to building medium to high density residential stock.

The extent to which an acquirer would assign a value to this development platform is dependent on a range of factors, including:

- the track record of management in successfully acquiring and generating appropriate returns for the level of risk assumed in the underlying development opportunity, both existing and prospective
- the ability to successfully negotiate and execute appropriate JV arrangements which are important in the facilitation of funding for these projects
- the ease at which an acquirer can replicate the function of the development platform, including its existing relationships
- the extent to which acquirers already have their own platform
- external factors, such as the prevailing market conditions of the property sector, specifically in the regions Devine is focussed on.

We have not included a specific value for the development platform primarily because in our view it is not certain that an acquirer would pay, at this point in time, for this platform an amount in excess of our assessed value of Devine given that:

- Devine is currently capital constrained, which limits its ability to replenish its development pipeline. Further, its current debt facility expires in August 2016 with any refinancing likely contingent on the outcome of CIMIC's strategic review
- Devine is predominantly exposed to long tail community based projects which have low levels of capital turnover, extending the cycles at which capital returns can be used to replenish the development pipeline. This also exposes funding risks given the general appetite of major debt providers to facilitate funding over shorter timeframes
- the business has underperformed in recent years, reflected in material asset write downs and various legacy projects, creating uncertainty as to the value of its development platform given the business has recently failed to achieve an appropriate return on its capital employed
- acquirers may already have their own development platform.

8.6.2 Tax losses

We have not attributed any value to the \$53 million of tax losses held by Devine as at 30 June 2015 in our valuation assessment given the difficulty typically experienced by potential acquirers in satisfying the tests which allow them to utilise the tax losses held by acquired businesses and the uncertainty as to the specific utilisation profile applicable to potential acquirers. More often than not, potential acquirers do not attribute material value to tax losses even though they may have value for the existing shareholders. It is noted that based on the expected utilisation of Devine's tax losses, a deferred tax asset of \$5.7 million (\$0.04 per Devine Share) has been recorded on Devine's balance sheet at 30 June 2015.

8.7 Cross-check

As a cross-check to our assessed value of Devine, we referred to:

- the value of Devine implied by recent trading in Devine Shares
- the Alternative Proposal, as it provides a relevant reference point as to the market value of a Devine Share on a controlling interest basis as assigned by a willing, but not anxious buyer
- the implied NTA multiple of our assessed value range of Devine, having regard to market evidence.

8.7.1 Share price

Our assessed value of a Devine Share on a control basis represents a premium in the range of 40% to 57% over the trading price immediately prior to the announcement of the Offer.

Table 23: Implied premium over pre-announcement share price

\$'000 (unless otherwise stated)	Value range	
	Low	High
Assessed equity value range	132,885	149,454
1-day VWAP as at 9-Nov-15	0.60	0.60
Market capitalisation (pre announcement of the Offer)	95,238	95,238
Implied premium / (discount)	39.5%	56.9%

Source: KPMG Corporate Finance analysis, S&P Capital IQ

Share prices typically represent the value of small parcels of shares, and as such, generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to include a premium to reflect the benefits of control as well as the ability of the owner to dictate the timing and terms of any divestment.

Consistent with the requirements of RG 111, in valuing Devine we have assumed 100% ownership, and therefore included a premium for control. Observations from transaction evidence indicate that takeover premiums concentrate around a range between 20% and 35% for completed takeovers depending on the individual circumstances. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be in excess of this range. Takeover premiums can vary significantly between individual transactions as the final price paid will reflect to varying degrees:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer

- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing shareholding in the target
- the liquidity in trading of the target company shares prior to the announcement of the acquisition
- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition was subject to a competitive process
- the extent to which the target company's share price already reflects a degree of takeover speculation.

It is difficult to draw a definitive conclusion as to the reasonableness of our valuation assessment by reference to the pre-announcement share price of Devine as, in our opinion, the underlying fair value of a minority parcel of shares in Devine may not have been appropriately reflected in the pre-announcement share price, considering:

- the relatively low liquidity in the stock, given CIMIC's 50.63% shareholding
- the difficulties associated with the market valuing Devine based on publicly available information. The value of Devine is ultimately driven by its projects, however, there is limited project specific financial information publicly available to support a robust valuation assessment. Further, price benchmarking against comparable companies or transactions currently has little relevance due to Devine's weak financial performance and the lack of a dividend yield in recent years. Devine is currently also not covered by any brokers.

Based on the considerations above, the fact that the premium over the pre-announcement share price implied by our assessed value of Devine exceeds the range of takeover premiums typically observed does not suggest that our valuation assessment is unreasonable.

8.7.2 Alternative Proposal

On 25 November 2015, the IBC advised that it recently received from Forum Partners a confidential non-binding, indicative proposal to acquire all of the shares of Devine for \$0.90 cash per share via a scheme of arrangement. To be effected as a scheme of arrangement, the Alternative Proposal would require the support of CIMIC as holder of 50.63% of the outstanding Devine Shares. Whilst CIMIC indicated to the IBC that it is not prepared to support the Alternative Proposal in its current form, it provides a relevant reference point as to the market value of a Devine Share on a controlling interest basis as assigned by a willing, but not anxious buyer. The proposed cash consideration under the Alternative Proposal falls within our assessed value range for a Devine Share and therefore supports our valuation assessment.

8.7.3 Implied NTA multiple

Property businesses are commonly valued with reference to their underlying asset base given the capital intensive nature of these businesses. Our assessed value of Devine on a 100% control basis represents a 0.57 times to 0.64 times multiple, which corresponds to a 43% to 36% discount to its NTA, as outlined in the table below.

Table 24: Implied NTA multiple

\$'000 (unless otherwise stated)	Value range	
	Low	High
Assessed equity value range	132,885	149,454
Net tangible assets at 31-Oct-15	232,729	232,729
Implied NTA multiple	0.57	0.64

Source: KPMG Corporate Finance analysis, Devine

By comparison, the median NTA multiples of comparable companies and transactions are 1.0 times and 1.2 times respectively, as outlined in Appendix 5.

The lower NTA multiple for Devine largely reflects the following:

- Devine's development assets are primarily classified as inventory. Unlike property investment trusts which record their property assets at fair value, Devine's development assets are recorded at the lower of historic cost or net realisable value, which does not take into account the time value of money. Therefore, for development projects that do not generate an appropriate return, their fair values would be lower than their respective book values.

Devine has not generated an appropriate return on capital in recent years driven by its exposure to underperforming property markets (such as Townsville and Gladstone) and legacy projects, which is also evidenced by recent impairments, profit downgrades and the initiated capital recycling program. In addition, Devine's Communities division is the largest contributor of value with some of its key projects having long settlement profiles and therefore the discount to book value is expected to be higher due to the impact of the time value of money

- recent developments (including the latest profit downgrade and the resumption notice in relation to the Townsville Southbank JV) are not fully reflected in the NTA position as at 31 October 2015 used as the basis for this cross check.

Based on the considerations above, whilst it is difficult to draw a definitive conclusion from this cross check, the NTA multiple implied by our valuation of Devine does not suggest that our valuation assessment is unreasonable.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Bill Allen. Each has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Offer is fair and reasonable to Devine Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Devine Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Target's Statement or any other document prepared in respect of the Offer. Accordingly, we take no responsibility for the content of the Target's Statement as a whole or other documents prepared in respect of the Offer.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Devine for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Target's Statement to be issued to the shareholders of Devine. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- the Target's Statement (including earlier drafts)
- the Bidder's Statement released to the ASX on 26 November 2015
- annual and half year reports of Devine for the three years ended 30 June 2015
- press releases, public announcements, media and analyst presentations material and other public filings by Devine, including information available on the company's website
- IBISWorld industry reports
- financial information from S&P Capital IQ, Bloomberg, ThomsonONE and Connect4.

Non-public information

- Board papers, presentations, working papers and other confidential documents of Devine.

In addition, we have held discussions with, and obtained information from, the senior management and Independent Directors of Devine, and its advisors.

Appendix 3 – Industry overview

Overview

Devine operates across three segments within the wider Australian residential property industry. These industry segments include the land development and subdivision industry, the house construction industry, and the multi-unit apartment and townhouse construction industry. An overview of each of these industries is outlined below.

Land development and subdivision industry

The land development and subdivision industry comprises companies engaged in subdividing and amalgamating land into lots, and preparing it for sale. Preparation of land includes excavation work for the installation of roads and utility lines. The principal activity of the industry involves the development of land for single-unit housing projects, particularly subdividing land into new housing estates. This involves developing roads, kerbs, drainage, footpaths, installing lighting and providing access to utilities, but excludes the physical construction of buildings. The industry currently derives approximately 60%⁴ of its revenue from the development of land for housing estates, with the remainder relating to apartments and other residential, commercial and industrial developments.

The industry is highly fragmented with the four largest participants being estimated to account for approximately 10% of annual industry revenue. The largest industry participants include state government land organisations which undertake urban planning initiatives, including greenfield land development and land consolidation and redevelopment. Other large industry participants include residential property developers.

Key drivers of activity within this industry include the demand for new single-unit house, and multi-unit apartment and townhouse construction. As such, the industry is influenced by changes in consumer confidence and housing affordability which affect the value and volume of residential land sales.

The industry has had mixed performance over the past five years, commencing with a downturn in FY11 associated with the removal of additional subsidies under the Federal Government's First Home Owner Boost Scheme⁵. Conditions in the industry have since improved due to increased demand for housing, driven primarily by an increase in mortgage affordability associated with lower interest rates.

House construction industry

The house construction industry comprises companies engaged in the construction of houses, excluding multi-unit apartments and townhouses. The industry generates approximately 57%⁶ of revenue from the construction of new houses, with the remaining revenue comprising alterations, additions, renovations, and general repairs to houses.

⁴ Source: IBISWorld Industry Report, Land Development and Subdivision in Australia, September 2015

⁵ Federal Government's First Home Owner Boost Scheme ceased to apply for contracts entered into on or after 1 January 2010

⁶ Source: IBISWorld Industry Report, House Construction in Australia, October 2015

New house construction is the industry's principal activity, whereby participants act as prime contractors supplying complete houses to owners or property developers, either on new residential subdivisions or existing building sites. Performing this function involves managing and coordinating subcontractors and material supplies, and maintaining regulatory compliance.

The industry is highly fragmented, with a large number of small-scale firms which operate in narrow regional markets. Larger industry participants typically have operations which span various regions in Australia, and have expanded beyond their original state markets through acquisitions of regional building companies, or through property investments across regional markets, allowing these larger companies to balance demand conditions across local markets.

The main basis for competition within the industry is product differentiation, which is typically associated with proven quality, efficiency and timeliness. If builders satisfy these prerequisites, price differentiation also becomes an important factor. With regard to price competitiveness, companies may offer discount to prospective customers on home and land packages, assistance with mortgage payments, gift cards and rebates.

The industry experienced a trough in revenue during FY13 stemming from the removal of the Federal Governments First Home Owner Boost scheme, and investor uncertainty associated with instability in global financial markets and variable local economic conditions. The demand for new house construction has since strengthened with improving mortgage affordability, lower home loan rates and population growth. Industry revenue is challenged by the increasing trend of buyers opting for higher density dwellings such as apartments and townhouses which typically deliver a lower cost entry into the housing market, placing downward pressure on demand for single-unit houses. In an effort to improve access for first home buyers, state-based urban land authorities have opened new tracts on outer suburban fringes for residential subdivisions, a process which is expected to contribute to single-unit housing construction in the coming years.

In the five years to FY16, industry revenue is projected to have declined at an annualised rate of 0.6% to an expected \$41.4 billion⁷, driven by the difficult trading conditions explained above.

Multi-unit apartment and townhouse construction industry

The multi-unit apartment and townhouse construction industry consists of companies engaged in the construction of dwellings such as flats, apartments, townhouses, condominiums and retirement homes. In addition to new constructions, the industry includes establishments which provide repair and maintenance to existing buildings, which accounts for a relatively small proportion of industry revenue.

Investments in multi-unit housing are typically of a much larger scale and have a longer construction phase than single-unit housing. Demand for this type of housing is dominated by property trusts, or landlords seeking to obtain rental yield, rather than owner-occupiers. Notwithstanding the existence of several very large scale construction operators, the industry has a low level of concentration.

⁷ Source: IBISWorld Industry Report, House Construction in Australia, October 2015

Firms operating within the industry tender and compete for construction projects based on a number of factors including their reputation for quality, timeliness, efficiency and financial security. Price differentiation becomes an important basis for competition after the aforementioned prerequisites have been satisfied.

The industry has experienced high levels of activity in recent years, with demand driven by population growth, a shift in preferences towards high density living, and inflows of foreign investment into the local property market. Much of the activity has centred on large multi-storey apartment towers which have been erected in major capital cities. The number of multi-unit housing commencements is estimated to have peaked in FY15 corresponding with the ramp up of investment on several landmark developments particularly in Melbourne and Sydney. Over the long term, increased investment into multi-unit and higher density housing has caused the industry to capture an increasing share of dwellings constructed in the Australian residential property market. Industry revenue is expected to decrease in the short-to-medium term due to the saturation of apartment stock in some urban markets.

Key demand drivers

The demand for land development and subdivision for residential purposes is driven by demand for new residential property in the form of houses and multi-unit apartments and townhouses. The demand for residential property is driven by the following factors:

- *Mortgage affordability.* Mortgage affordability represents the cost of mortgage payments relative to a household's income, and is indicative of housing affordability, a key short-to-medium term determinant of housing demand. Mortgage affordability has improved in the past five years as interest rates have fallen to historic lows and household incomes have increased, partially offset by an increase in housing prices.
- *Housing prices.* Movements in residential housing prices indicate underlying demand for housing and also influence housing affordability. Rising prices may discourage homebuyers from entering the housing market, particularly for first home buyers concerned about incurring a large mortgage. Conversely, residential property investors may be encouraged to construct new properties with a view to capitalise on price growth.
- *Population growth.* Population growth directly impacts long-term demand for housing in Australia. The age distribution and the resultant household size and formation patterns also influence long-term demand trends with regard to the quantity and types of residential constructions. Migration growth has contributed to a decrease in the proportion of young people in the total population, thereby increasing the proportion of the population establishing households.
- *Residential property yields.* Increases in residential property yields indicate increased demand for rental stock, which often encourages new investment particularly into apartments and townhouses.
- *General economic conditions.* General economic conditions influence consumer confidence particularly in relation to job security, which often affects decisions with regard to purchasing a home. The residential property market is also sensitive to the relative performance of the stock market, as investors typically look to property as an alternative to investing in listed equities.

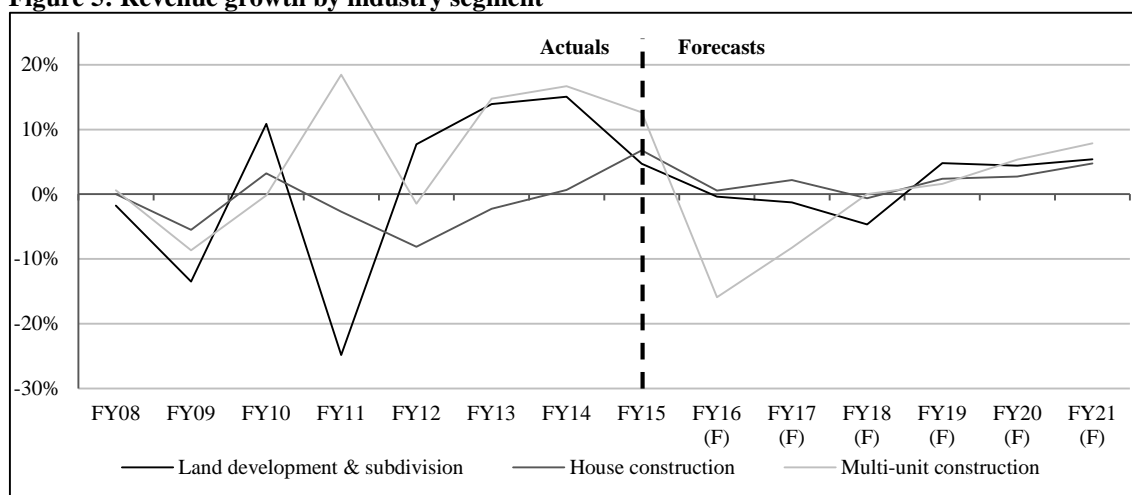
Outlook

Steady growth in the number of households and resident population is expected to continue to underpin housing demand in Australia.

Escalating land values, the search for more affordable housing by first-home buyers, and downsizing by older Australians is expected to continue to drive demand for large-scale investment into the construction of lower cost housing, particularly apartments and townhouses. It is also expected that apartment developments will continue to be driven by increasing foreign investment, particularly from Asia.

According to IBISWorld, historic and forecast revenue growth for the three industry segments in which Devine operates are illustrated below.

Figure 5: Revenue growth by industry segment



Source: IBISWorld industry reports

With regard to the above forecasts, it is noted:

- **Land development and subdivision industry.** Revenue is forecast to grow at an annualised rate of 1.7% in the five years to FY21. The moderate pace of expansion reflects a forecast contraction in performance to FY18, stemming from lower rates of new housing developments, as interest rates are assumed to increase, resulting in lower mortgage affordability.
- **House construction industry.** Revenue is forecast to grow at an annualised rate of 2.3% in the five years to FY21. Industry activity is assumed to be particularly buoyant in the Queensland and northern New South Wales markets, while activity is expected to ease in the southern states and Western Australia.
- **Multi-unit apartment and townhouse construction industry.** Revenue is forecast to grow at an annualised rate of 1.2% in the five years to FY21. This moderate growth rate reflects lower projected activity over the next three years, due to the assumed saturation of apartment stock in some urban markets (particularly in parts of Melbourne) following some recent landmark developments. The recent additions are expected to take some time to be absorbed by prevailing housing demand, contributing to an easing of new investment projects.

Appendix 4 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Market evidence

Sharemarket evidence

The following table sets out the implied earnings multiples, price to net tangible assets (NTA) multiple, betas and gearing for selected listed companies operating in the Australian property development sector as at 4 December 2015.

Table 25: Sharemarket evidence – Multiples

Company	Market cap (\$m)	EBIT	EBIT	EBIT	EBIT	PE multiple ¹	PE multiple ¹	Price / NTA
		margin	margin	multiple	multiple	LTM	NTM	
		LTM	NTM	LTM	NTM			LTM
Cedar Woods Properties Ltd.	324	26.8%	28.6%	7.4	5.7	10.0	7.6	1.1
AVJennings Limited	206	14.3%	16.2%	6.5	4.9	6.5	5.8	0.6
Villa World Limited	220	14.8%	14.1%	6.2	5.4	6.6	7.4	1.0
Sunland Group Limited	278	15.7%	15.0%	8.0	7.3	9.1	9.2	0.8
Payce Consolidated Ltd.	139	23.0%	n/a	5.3	n/a	3.1	n/a	1.2
Peet Limited	510	19.2%	24.5%	10.9	8.3	12.7	11.5	1.1
Finbar Group Limited	243	43.0%	n/a	6.8	n/a	8.4	n/a	1.0
PBD Developments Limited	78	-37.1%	n/a	nmf	n/a	nmf	n/a	0.8
Mean		22.4%	19.7%	7.6	6.3	8.9	8.3	1.0
Median		19.2%	16.2%	7.1	5.7	8.8	7.6	1.0

Source: S&P Capital IQ; KPMG Corporate Finance analysis

Note 1: PE multiple is based on normalised earnings

Table 26: Sharemarket evidence – Betas and gearing

Company	Levered beta	Unlevered beta	SIRCA beta ¹	Current gearing ²	Average gearing ²
	5 year monthly	5 year monthly			5 year monthly
Cedar Woods Properties Ltd.	0.79	0.74	1.68	8%	9%
AVJennings Limited	0.75	0.56	1.19	30%	33%
Villa World Limited	n/a	n/a	2.34	25%	n/a
Sunland Group Limited	0.51	0.43	0.06	24%	21%
Payce Consolidated Ltd.	0.45	0.26	1.10	56%	50%
Peet Limited	0.97	0.71	2.26	31%	34%
Finbar Group Limited	0.96	0.85	1.14	6%	16%
PBD Developments Limited	0.67	0.44	-1.22	33%	43%
Mean (excluding outliers)	0.87	0.72	1.62	22.4%	26.0%
Median (excluding outliers)	0.88	0.73	1.44	25.0%	27.0%

Source: S&P Capital IQ; SIRCA Limited's Risk Measurement Services; KPMG Corporate Finance analysis

Note 1: Betas are four year, monthly levered betas source from SIRCA Limited's Risk Measurement Services at June 2015. SIRCA used the Scholes-Williams method for estimating betas to account for the presence of thin trading

Note 2: Gearing calculated as net debt to enterprise value

Brief descriptions of each of the listed comparable companies are set out below.

Cedar Woods Properties Limited

Cedar Woods Properties Limited engages in property investment and development activities in Australia. The company is involved in urban land subdivision and built form development for residential, commercial, and retail purposes. Cedar Woods has a diversified residential portfolio which are marketed at various price points, from small affordable housing lots at its residential estates, to high-end luxury apartments at boutique developments. The company operates in Western Australia, Victoria and Queensland. The company has a pipeline of around 24 projects, the majority of which are located in Perth

and Melbourne, with properties also in regional Western Australia, and Brisbane. The company was founded in 1987 and is headquartered in West Perth.

AVJennings Limited

AVJennings Limited operates as a residential property development company in Australia. The company engages in land and apartment development, and integrated housing activities, selling land only, house and land packages and medium density housing, with a focus offering affordable products. The company is organised into segments based on geographical focus, and generated the majority of its FY15 revenue from its Queensland (32%), and New South Wales (28%) operations. AVJennings had a portfolio of 10,181 of remaining lots at 30 June 2015, which were located across Victoria (32%), New South Wales (25%), South Australia (24%), Queensland (13%), Western Australia (4%) and New Zealand (2%). The company was founded in 1932 and is based in Hawthorn, Victoria.

Villa World Limited

Villa World Limited develops and sells residential land and buildings in Australia. The company develops, constructs, and sells house and land packages, with a focus on affordable, mid-price point products. In FY15, approximately 80% of the company's revenue was generated through the sale house and land products, with the remainder relating to land only sales. The company is organised into two segments based on geographical focus: the Queensland and New South Wales segment, and the Victorian segment. The Queensland and New South Wales segment contributed 92% of the company's total gross profit in FY15. As at 30 June 2015, Villa World had a portfolio of 5,191 lots, approximately 60% of which were situated across six corridors in Queensland, with the remainder across three corridors in Victoria. Villa World is focused on the Queensland market, and has stated that in the near term, its portfolio, sales and settlements will remain weighted towards Queensland. Villa World was founded in 1986 and is headquartered in Broadbeach, Queensland.

Sunland Group Limited

Sunland Group Limited develops and constructs residential properties in Australia, predominantly focusing on premium housing products. The company is organised into two operating segments: the Residential Housing and Urban Development segment, and the Multi-Storey segment. The Residential Housing and Urban Development segment is involved in land subdivision and medium density integrated housing developments. The Multi-Storey segment develops and sells medium rise projects between five and 15 storeys, and high-rise developments above 15 storeys. The Residential Housing and Urban Development segment contributed approximately 87% of the company's total revenue in FY15. As at 30 June 2015, the Sunland Group had a portfolio of approximately 6,010 land, housing and multi-storey products across Queensland, New South Wales and Victoria. The majority of this pipeline (87%) is located in Queensland with a concentration in the Gold Coast. The company also had exposure to the Sydney and Melbourne markets. Sunland Group Limited was founded in 1983 and is based in Brisbane.

Payce Consolidated Limited

Payce Consolidated Limited has historically engaged in the development of properties in Australia, and more recently has also established a property investment operation. Payce develops medium density residential and mixed-use projects for sale, as well as owns and rents industrial and retail properties. The company is organised into two operating segments: the Property Development segment, and the Investment Property segment. In FY15, the Property Development segment accounted for 98% of Payce's total revenue, and 60% of the company's profit before tax. Payce operates in the Sydney market only. The company was founded in 1978 and is headquartered in Sydney.

Peet Limited

Peet Limited acquires, develops, and markets residential land in Australia. Peet develops affordable products targeted at the low and middle markets segments, including an increasing focus on medium density projects. The company is organised into three business segments: the Funds Management, the Company-Owned Projects and the Joint Arrangements. The Funds Management segment derives fees from providing underwriting, capital raising, and asset identification services. The Company-Owned Projects segment acquires parcels of land primarily for residential development purposes, as well as produces non-residential blocks of land. The Joint Arrangements segment undertakes and develops land under arrangements entered into with government, statutory authorities, and private landowners, which generally involves Peet undertaking the development of land on behalf of the landowner, or in conjunction with the co-owner. Peet's FY15 EBITDA composition by segment was as follows: Funds Management (48%), Company-Owned Projects (30%), and Joint Arrangements (22%). From a geographical perspective Peet has a diversified exposure to markets across Australia. The company's FY15 EBITDA was primarily derived in Victoria (34%), Western Australia (32%), New South Wales and the Australian Capital Territory (16%), with smaller exposures also to the Queensland, South Australian and the Northern Territory markets. As at 30 June 2015, Peet had a land bank of approximately 47,000 potential residential lots. Peet was founded in 1895 and is based in Perth.

Finbar Group Limited

Finbar Group Limited, together with its subsidiaries, develops properties in Western Australia, with a focus on medium-to-high density, luxury residential apartments in Perth. Finbar also develops commercial office and retail properties, and holds investment property from which it earns rental income. Finbar is organised into four reportable segments: the Residential Apartment Development, the Commercial Office/Retail Development, the Rental of Property, and the Corporate segments. In FY15 Finbar's core Residential Apartment Development segment contributed 85% of the company's total revenue, and 56% of total profit before income tax (PBT). The Rental of Property segment (23%) and the Corporate segment (20%) contributed the majority of the company's remaining PBT. As at 30 June 2015, Finbar had 867 apartments under construction, with development approval for a further 1,350 apartments. Finbar was incorporated in 1984 and is based in East Perth.

PBD Developments Limited

PBD Developments Limited develops and sells premium residential land and built-form products. PBD Developments focuses on medium-to-high density developments including townhouses and apartment projects, which is a by-product of targeting sites close to city centres, which are typically brown field or

infill urban renewal sites. PBD Developments currently has a portfolio of six projects located across Sydney, Melbourne, Brisbane, and the Mandurah / Peel region of Western Australia. In the year ended 30 June 2015, PBD Developments did not enter into any new projects, instead focusing on delivering its existing pipeline. Four of the projects remain under construction, with completion for all projects expected during 2016. PBD Developments Limited was founded in 1985 and is based in Sydney.

Transaction evidence

The following table sets out earnings multiples and price to NTA multiples implied by recent transactions that involved companies operating in the property development sector within Australia.

Table 27: Transaction evidence

Date	Acquirer	Target	Percentage acquired (%)	Transaction value (\$m)	Implied EV (\$m)	PE multiple LTM	Price / NTA LTM	Premium / (discount) to pre-announcement share price		
							1 day prior	5 day prior	1 month VWAP	
Feb 2015	Peet Limited	CIC Australia Limited	14.0%	14.7	87.7	10.3	1.0	-0.4%	-0.4%	n/a
Apr 2013	Peet Limited	CIC Australia Limited	86.1%	65.0	123.2	9.1	0.8	-5.0%	-4.2%	-5.1%
Feb 2007	CIMIC Group Limited	Devine Limited	40.0%	95.6	483.1	10.1	1.4	-4.1%	-0.1%	0.0%
Jun 2007	Grocon Pty Ltd	CP1 Limited	19.9%	38.2	351.8	6.3	1.8	10.5%	14.8%	13.8%
May 2006	MFS Diversified Group	Villa World Limited	100.0%	204.5	361.8	7.9	2.0	3.4%	3.4%	4.7%
Mar 2002	SC Global Developments Ltd.	AV Jennings Homes Ltd	38.5%	67.2	206.7	5.6	1.0	-22.2%	-13.6%	n/a
Low						5.6	0.8	-22%	-14%	-5%
High						10.3	2.0	10%	15%	14%
Mean						8.2	1.3	-3%	0%	3%
Median						8.5	1.2	-2%	0%	2%

Source: S&P Capital IQ; KPMG Corporate Finance analysis

Brief descriptions of each of the identified comparable transactions are set out below.

Acquisition of CIC Australia Limited by Peet Limited

On 10 April 2013, CIC Australia Limited (CIC) announced an off-market takeover bid from Peet Limited for all of the outstanding shares in CIC for a cash consideration of \$0.60 per share. CIC was engaged in the acquisition, subdivision, development, construction, and sale of primarily residential real estate properties, with projects in New South Wales, the Australian Capital Territory, South Australia, and the Northern Territory. By the close of the bid on 21 June 2013, Peet Limited had acquired 86.05% of CIC.

On 25 February 2015, CIC announced that it proposed to undertake a selective buy-back of all of the shares held by CIC shareholders other than the major shareholder Peet Limited (being approximately 13.95% of the total issued shares) for a cash consideration of \$0.827, to be implemented via a scheme of arrangement. As a result of the scheme, all of the shares not owned by Peet Limited were transferred to CIC and cancelled, and CIC became a wholly-owned subsidiary of Peet. CIC was subsequently delisted from the ASX.

Acquisition of 40.0% stake of Devine by CIMIC

On 1 February 2007, Devine announced that it had reached an agreement with CIMIC such that CIMIC would acquire a 40% stake in the company through a private placement of shares. On 3 May 2007, Devine issued 94.7 million new shares to CIMIC for a cash consideration of \$95.6 million. The transaction increased Devine's total number of shares on issue to 236.8 million.

Acquisition of a 19.9% stake in CP1 Limited by Grocon

On 18 June 2007, City Pacific Limited announced that it had agreed to sell a 19.9% interest in CP1 Limited (CP1) in two transactions worth approximately \$38.2 million. The transactions involved the sale of 17.9% of the issued shares in CP1 to a Grocon Pty Ltd related entity, and a further 2% of CP1's issued capital to another third party. CP1 was primarily involved in industrial, commercial and residential property development and had projects in Victoria, Queensland and New South Wales. CP1 also had ownership stakes in hotels. Property development activities constituted 87% of CP1's total revenue in FY15, with the remainder relating to hotel operations.

Merger of Villa World with MFS Diversified Group

On 31 May 2006, MFS Diversified Group (MFS) and Villa World Limited (Villa World) announced a proposed merger. The merger was implemented by way of an off-market takeover bid by MFS for all of the ordinary shares of Villa World which it did not already own. Villa World shareholders received a combination of cash and script in the form of one new MFS stapled security, and \$0.80 cash, for each Villa World share. MFS completed the acquisition of a 96.21% stake in Villa World on 2 October 2006. The remaining 3.79% stake was acquired through compulsory acquisition. The operations of Villa World are described in the sharemarket evidence section of this Appendix.

Acquisition of 38.5% stake in AVJennings by SC Global Developments

On 14 March 2002, a Singaporean company, SC Global Developments Ltd (SC Global) entered into the agreement to acquire a 38.5% stake in AVJennings Homes Ltd (later renamed AVJennings Limited) from three vendors. SC Global paid \$0.81 per share to acquire 83.0 million shares, in a transaction valued at approximately \$67.2 million. The operations of AVJennings Limited are described in sharemarket evidence section of this Appendix.

Appendix 6 – Discount rate

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analysis, we have adopted a WACC for Devine in the range of 11% to 13%, which we consider appropriately reflects the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with an investment in Devine's business operations.

The WACC represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC calculation is typically based on the assumptions of:

- a constant optimal capital structure
- interest payments on debt being tax deductible.

The WACC is derived using the following formula:

$$\text{WACC} = [\text{Kd} * \text{Wd} * (1-t)] + [\text{Ke} * \text{We}]$$

Table 28: WACC parameters

Parameter	Description
Kd	Cost of debt
Wd	Percentage of debt in capital structure
Ke	Cost of equity
We	Percentage of equity in capital structure
t	Company tax rate

Source: KPMG Corporate Finance analysis

The cost of equity is derived using the modified CAPM as follows:

$$\text{Ke} = \text{Rf} + \beta * (\text{Rm} - \text{Rf}) + \alpha$$

Table 29: Cost of equity parameters

Parameter	Description
Rf	Risk free rate, representing the return on risk-free assets
Rm	Market rate of return, representing the expected average return on a market portfolio
(Rm - Rf)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
β	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	Specific risk factor, which may be included to compensate for risks which are not adequately captured in the other parameters

Source: KPMG Corporate Finance analysis

The selection of the appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as broad guidance rather than objective truth. Furthermore, discount rate assessments need to

consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

Given the forecast cash flows are denominated in Australian dollars, we have utilised the following parameters reflective of the Australian capital markets environment in determining an appropriate WACC range for Devine.

Table 30: Selected WACC parameters

Parameter	Input	Description
Kd	7.5% – 9.0%	In selecting a market benchmark cost of debt, we referred to the pricing of a recently issued 5 year unsecured note by Sunland. We also considered the yield on A\$ denominated BBB-rated corporate bonds in terms of the spot rate, average yields, the overall trend in those yields and the volatility of these yields, as well as the current debt funding structure of Devine for consistency. The selected cost of debt range represents the long-term 'all-in' rate, including an allowance for upfront/refinance costs.
Wd	20%	Based on the gearing observed for comparable companies. We note that the sensitivity of the overall WACC to changes in the selected gearing is relatively low.
We	80%	
t	30%	Based on the Australian corporate tax rate.
Rf	4.4%	The risk free rate has been selected by reference to the current spot yield and long term forecast yields on 10 year Australian Government bonds. We have adopted 4.4% as an appropriate risk free rate, which represents a blended long term risk free rate.
(Rm - Rf)	6.0%	A market risk premium of 6.0% is regarded as appropriate by KPMG Corporate Finance for the current long-term investment climate in Australia. It also falls within the range of market risk premiums commonly adopted by valuation practitioners in Australia and is consistent with our approach of adopting a blended long term risk free rate.
β	1.10 – 1.30	The selected beta has been determined having regard to: the unlevered betas of comparable companies (refer to Appendix 5) and the impact that illiquidity has on these observed betas; beta estimates determined by SICRA which make adjustments for thin trading; and the relative risk of the property development sector across the overall spectrum of sectors comprising the Australian market.
α	0.5% - 1.5%	An additional risk premium to account for the relative size of Devine, based on KPMG Corporate Finance analysis.

Source: KPMG Corporate Finance analysis, S&P Capital IQ

Appendix 7 – Glossary

Abbreviation	Description
All Ords Index	S&P ASX All Ordinaries Index
Alternative Proposal	The confidential non-binding, indicative proposal from Forum Partners to acquire all of the shares of Devine for \$0.90 cash per share via a scheme of arrangement
APESB	Accounting Professional & Ethical Standards Board
Announcement Date	10 November 2015
A-REIT	Australian real estate investment trust
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market that it operates (that is the Australian Securities Exchange), as the context requires
ATO	Australia Taxation Office
Bidder's Statement	Bidder's Statement lodged by CIMIC on 12 November 2015
CAPM	Capital asset pricing model
CEO	Chief Executive Officer
CIMIC	CIMIC Group Limited
CGT	Capital gains tax
Communities	Devine Communities division
Constructions	Devine Constructions division
Corporations Act, or the Act	Corporations Act 2001 (Cth)
Capitalised Earnings	The capitalisation of a sustainable level of earnings
CRI	CIMIC Residential Investments Pty Limited
DCF	Discounted cash flow
Developments	Devine Developments division
Devine, or the Company	Devine Limited
Devine Share	An ordinary share in Devine
Devine Shareholders, or Shareholders	Shareholders of Devine
Discount Rate	The rate at which the future cash flows are discounted
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Forum	Forum Partners
FY	Financial year ended 30 June
Housing	Devine Housing division
IBC	Independent Board Sub-Committee
IER	Independent Expert's Report
Improved Offer	Unconditional off-market offer by CIMIC to acquire the 49.37% equity interest in Devine it does not already own for cash consideration of \$0.75 for each Devine Share where CIMIC obtains a relevant interest of less than 90% in Devine, and \$0.81 for each Devine Share where CIMIC obtains a relevant interest of at least 90% in Devine
JV	Joint venture
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)

Abbreviation	Description
Listing Rules	The listing rules of the ASX
LMA	Land Management Agreement
LTM	Last twelve months of available financial information
n/a	Not available
Net Assets	The estimation of the net proceeds from an orderly realisation of assets
NPAT	Net profit after tax
NTA	Net tangible assets
Offer	Collectively, the Original Offer and the Improved Offer
Offer Period	The Offer closes at 7.00pm (AEDT) on 29 December 2015, unless it is extended or withdrawn by CIMIC
Original Offer	Conditional off-market offer by CIMIC to acquire the 49.37% equity interest in Devine it does not already own for cash consideration of \$0.75 for each Devine Share
RG 111	Regulatory Guide 111 'Content of expert reports'
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

**KPMG Corporate Finance**

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 9 December 2015

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Ian Jedlin and Bill Allen as authorised representatives of KPMG Corporate Finance (**Authorised Representatives**), authorised representative numbers 404177 and 405336 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representatives are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representatives' responsibility to you

KPMG Corporate Finance has been engaged by Devine Limited (Client) to provide general financial product advice in the form of a Report to be included in Target's Statement (Document)

prepared by the Client in relation to the takeover offer by CIMIC Group Limited (Bidder) (Transaction).

You have not engaged KPMG Corporate Finance or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$175,000 for preparing the Report. KPMG Corporate

Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of advisory services to the Bidder for which professional fees have been received over the past two years in the order of \$7 million. In 2014, KPMG prepared an Independent Expert's Report for the Bidder in connection with the proportionate takeover offer by HOCHTIEF Australia Holdings Limited, for inclusion in the Bidder's target's statement dated 14 April 2014. None of the services provided to the Bidder have related to the Transaction or alternatives to the Transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or the Bidder, or has other material financial interests in the Transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representatives know. Formal complaints should be sent in writing to The Complaints Officer,

KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

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C/O KPMG

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Facsimile: (02) 9335 7000

Annexure B – ASX announcements

Date	Description
9 December 2015	Devine Independent Directors Recommend Revised Offer
7 December 2015	Change in substantial holding
1 December 2015	Earnings Guidance Update
27 November 2015	Devine Notes Dispatch of Bidder's Statement
26 November 2015	CIM:BIDDERS STATEMENT FOR CIMICS OFF-MARKET OFFER FOR DEVINE
25 November 2015	Confidential, Non-Binding, Indicative Proposal from Forum
13 November 2015	Formation of Independent Board Sub Committee
13 November 2015	Change in substantial holding from CIM
12 November 2015	Bidder's Statement
10 November 2015	Change in substantial holding
10 November 2015	Directors' Response to Takeover Bid
10 November 2015	CIM:CIMIC INTENDS TO MAKE \$0.75 CASH PER SHARE OFFER FOR DEV
2 November 2015	Managing Director and CEO Resignation
22 October 2015	Profit Guidance
12 August 2015	30 June 2015 Results Presentation
12 August 2015	Media Release - Half Year Results
12 August 2015	Directors' Comments
12 August 2015	Appendix 4D
22 June 2015	Change in substantial holding
27 May 2015	Results of AGM
27 May 2015	Managing Director's and CEO Address to 2014 AGM
27 May 2015	Chairman's Address to 2014 AGM
26 May 2015	Devine Company Sale Process
14 May 2015	Devine and Daikyo Apartment Venture
14 May 2015	Board Composition Update
5 May 2015	Sale of Management Rights

Date	Description
30 April 2015	Homes Business Unit Restructure
23 April 2015	Notice of Annual General Meeting/Proxy Form
13 April 2015	Retirement of Director
30 March 2015	Director Appointment/Resignation
30 March 2015	Annual Report to Shareholders

Corporate directory

Board of Directors

Mr Peter Dransfield (Non-Executive Chairman)
Ms Judith Downes (Non-Executive Director)
Mr Jeff Cummings (Non-Executive Director)
Mr David Robinson (Non-Executive Director)
Mr Mark Gray (Non-Executive Director)

Company Secretaries

Craig Bellamy
Michelle Randall

Registered Office

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Legal Adviser

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Level 61 Governor Phillip Tower
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Sydney NSW 2000

Financial Adviser

Goldman Sachs Australia Pty Ltd
Level 17
101 Collins Street
Melbourne VIC 3000

Share Registry

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117 Victoria Street
West End QLD 4101