



# Directors' Comments

## Half Year Ended 30 June 2016

10 August 2016

The Directors of Devine Limited (Devine) announce the following results for the half year ended 30 June 2016:

	Period Ended	
	June 2016 6 Months (\$'millions)	June 2015 6 months (\$'millions)
Net loss before tax	<b>(27.2)</b>	(1.2)
Net (loss) / profit after tax	<b>(28.6)</b>	0.9
Total revenue	<b>113.1</b>	146.5
Net Tangible Assets - \$ per share	<b>\$1.14</b>	\$1.55
EPS – cents per share	<b>(18.0) cents</b>	0.6 cents

### Review of operations

The loss before tax of \$27.2 million for the six months to 30 June 2016 is due primarily to the impairment of inventory within the communities business, a settlement within the development business and the timing of project completions in the construction business.

During the period to June 2016 the Company recorded the following outcomes:

- Debt reduction of net \$5 million;
- Balance sheet gearing<sup>1</sup> level of 13.6%;
- Primary debt facility (ANZ Multi-Option facility) extended from 31 August 2016 to 31 October 2016.

The Company continued to progress the Strategic Review of its business. This included the:

- Negotiation and settlement of the sale of the Company's interests in the South Bank Townsville development site (Queensland) and the Pennyroyal Estate (Victoria).

<sup>1</sup> Gearing is defined as (interest bearing & non-interest bearing debt – cash held) / (total assets – cash held)

- Negotiation (subsequent to 30 June 2016) of the englobo sale of the Eden's Crossing Community site (Queensland). The sale has since been contracted for \$30.05 million with settlement to occur in September 2016.
- Discontinuation of the wholesale and integrated housing business. It is anticipated that all housing contracts currently under construction, including integrated and medium density projects, will be completed by the conclusion of 2016.

### **Other Outcomes**

- Land settlements of 285 allotments, with 87% of the full year settlement forecast either completed or secured and subject to contract.
- Achievement of final planning approval for the 156 apartment Tribune Street project in Brisbane's Southbank precinct.
- Apartment settlement numbers for the period were limited as no new apartment projects finished during the period, however pre-sales at Mode Apartments project (Brisbane) now cover 80% of that total project with the settlements to commence in early 2017.
- Significant progress by Devine Constructions toward the completion of its current workbook, whereby all projects for external clients are forecast to be substantially complete by end September 2016.

### **Financing Facilities**

During the period, Devine continued to keep the market informed of its ability to satisfy its banking covenants and its relationship with primary lender, ANZ Banking Group (ANZ).

As announced to the market in May this year, ANZ has agreed to extend the expiry date of the Multi-option Facility and covenants testing date to 31 October 2016. Devine and ANZ will continue to work together to achieve a mutually acceptable outcome in relation to the ANZ Multi-Option Facility by 31 October 2016.

### **Outlook**

The Company is implementing actions associated with the ongoing Strategic Review of its operations. In addition to the measures outlined at the Annual General Meeting in May, Devine has successfully negotiated the sale of a number of assets in order to release value, reduce debt and provide working capital. Since 31 March 2016, the Company has negotiated the sale of its interest in assets that has, or will return, almost \$38 million in cash to the business.

The Company's primary focus in preserving shareholder value remains:

- Reducing debt; and
- Implementing a sustainable platform for the business.

The Directors maintain the guidance provided at the Company's Annual General Meeting in May which is for a loss before tax of approximately \$35 million for the full year to December 2016.

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***For further information contact:***

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