



Directors' Comments

Half Year Ended 30 June 2018

8 August 2018

The Directors of Devine Limited (**Devine**) announce the following results for the half year ended 30 June 2018:

	Six month period ended	
	June 2018 (\$'millions)	June 2017 (\$'millions)
Total revenue	24.3	30.8
Net loss before tax ¹	(11.4)	(13.0)
Net loss after tax ¹	(11.4)	(13.0)
Net Tangible Assets - \$ per share	\$0.66	\$1.00
EPS – cents per share	(7.1) cents	(8.2) cents

Review of operations

Devine recorded a 22% reduction in revenue for the period primarily due to the construction of high rise apartment developments on hand being completed in the prior period, delays of some settlements in Victoria because of approvals, and a market slow-down in South Australia which impacted land sales.

Devine reported a reduced loss before tax for the six months to 30 June 2018, being primarily due to impairments at Mawson Green in Meadows, South Australia, Riverparks in Townsville, Queensland and Newbridge in Wallan, Victoria (\$10.7m).

As announced at the Annual General Meeting in May, Devine's opening retained earnings were impacted by \$27.3m as a result of the implementation of the new accounting standards, AASB15 and AASB9. This impact largely contributed to the reduction in the Company's Net Tangible Assets.

During the period to June 2018, Devine achieved the following outcomes:

- The settlement of 149 land allotments, with 91% of the full year settlement forecast either already completed or secured and subject to contract.

¹ Includes losses from discontinued operations. Refer note 7 in the 30 June 2018 Interim Report.

- In accordance with the strategy agreed with our Project Joint Venture (JV) partner for Newbridge in Wallan, Victoria, the residual undeveloped parcel of land (approximately 48.3ha) was settled on 19 June 2018 for a net amount of \$11.5m. This has allowed the JV to reduce the project's financing requirements and to concentrate on the development and delivery of the remaining 356 lots.
- At Stonehill in Bacchus Marsh, Victoria, Devine remains focused on the accelerated development of more stages of the project, together with the settlement of completed lots during the period. Total sales of 117 lots were recorded for the six months to 30 June 2018. In addition, the sale and settlement of the development's School Site (of approximately 3.5ha) for a net amount of \$2.7m on 28 June 2018 has provided additional liquidity for the further progression of the project.
- Continuing sales and settlements were delivered at the Mode Apartments development at Newstead in Brisbane, Queensland. Six apartments remain for sale (out of the total of 157) at the date of this report.

Financing facilities

As announced in March this year, ANZ Banking Group has agreed to provide a new two-year \$70m Multi Option Facility, expiring on 29 March 2020 (extended from 31 March 2018). The facility is secured by a guarantee provided by Devine's majority shareholder. This facility provides a stable financial base that is important to the ongoing business.

Outlook

Devine continues to implement actions aimed at delivering a sustainable platform for the company and maximise the value of the business.

Devine is currently negotiating an extension to the Orleana Waters Land Management Agreement for the project located in Adelaide, South Australia.

In addition to the items noted above, Devine has prepared and lodged a number of contractual and insurance claims in relation to completed construction projects, with the timely resolution of these claims being a major focus for management.

The receipts from the contractual and insurance claims will be applied to the repayment of the Company's debt. This will enable Devine to re-focus on its development businesses and to use development funding to deliver projects and generate sustainable returns in future for shareholders.

These Directors' Comments form an integral part of the Directors' Report within the half year ended 30 June 2018 financial report.

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