



INTERIM REPORT

Dear Shareholder

Your Directors have resolved to pay an Interim Dividend of 15 cents per share (last year 20 cents) on 19 March 2014 to Shareholders registered on 12 March 2014 with the Dividend being fully franked at the Company Tax Rate of 30%.

The Interim Dividend is based on results for the 6 months to 30 November 2013 and as outlined at our Annual General Meeting (AGM) this has been a challenging period for your Company. The building industry has continued to face significant challenges and housing starts have remained flat if not slightly below levels seen at the same time last year. Housing starts over the 12 month period are forecast to be 35% below the average over the last 10 years.

Despite these challenging market conditions, your Directors and our employees, are committed to maximising the opportunities that do exist and together we have made structural changes to our Trade and Retail operations to better align our business with current market conditions. This process will remain ongoing.

I would like to take this opportunity to thank management and staff for their commitment to what has been a challenging time for your Company. In particular I would like to acknowledge the important work undertaken by our past Managing Director, Mr Peter Geard, Chief Financial Officer, Mr Peter Stone and our new General Manager, Mr Craig Cashion.

The last 3 months has seen an improvement in retail sales and housing approvals however, although the improvement is slight and not back to the levels of 12 months ago, competitive tension is strong and this continues to place downward pressure on margins, particularly in our Trade business. We remain committed to defending and growing our market share.

Plans for the development of the Company's substantial 26 HA site at Giblin Street, New Town continue to progress. Our Development Application, which is for a residential subdivision of 116 lots, will be considered, and hopefully approved by the Hobart City Council on 24 March. If approved this property will be put up for sale by Public Tender.

As reported to you on 20 January 2014 your Directors continue to explore opportunities with respect to the sale of the business. We are currently assessing what has been put to us and will report to you on that when we have something definitive. Your Board is keen to resolve this issue as soon as possible as the process has been a distraction from our core business and has involved considerable one off expenses which have impacted profit results during the 6 month period.

I indicated to you at the 2013 AGM that the Board will be considering its' balance and structure. This process has commenced and, in the context of developments highlighted above, we expect to announce your Directors' plans for future Board composition at the 2014 AGM.

Whilst all the economic indicators for our State are not positive, there are recent signs of improvement and hopefully the State's new majority government will instil much needed consumer and business confidence. Structurally, of course, there needs to be a turnaround in population growth and employment before we will see significant positive change in market conditions. Despite these factors I assure you that your Company is positioned well, remains focussed on driving the business forward, is continuously reviewing performance and examining and effecting opportunities to ensure that the returns to you are maximised.

Recent arm's length share sales have varied between \$12.00 and \$13.50.

Yours faithfully
For the Directors
KEMP & DENNING LIMITED

A handwritten signature in black ink, appearing to read 'Ray Brown', written in a cursive style.

Ray Brown
CHAIRMAN
19th March 2014