



## **Chairman's Address to the 2005 Annual General Meeting**

---

As you will have seen from the notice of meeting, we have a longer agenda than usual for today's meeting. We will begin with the receipt and consideration of the financial statements and reports for the year ended 30 June 2005. We then have a new item; the Adoption of the Remuneration report which I will comment on prior to its consideration. We have two Director re-elections and 2 new Director elections followed by a resolution for an increase in Director fees which also warrants some prior comments.

I will make some preliminary remarks and then ask your Managing Director, David Devine to give you details of the company's performance and prospects. At the conclusion of David's presentation we will be pleased to receive questions and comments. There will also be an opportunity at the conclusion of our meeting to have informal discussions with Directors.

The Company's pre tax profit for the year ending June 30, 2005 was \$22.7M, a marginal increase on the previous financial year. This generated an after tax result of \$16.125M representing a 3% increase over the previous year. Pre-tax profit has averaged in excess of \$20M per year over the past 5 years and this has resulted in a steady growth in net tangible assets and has enabled a strong dividend flow to shareholders over this period.

The latest result was achieved despite a slowdown in our housing business and highlights the sound performance of our high-rise unit developments which will again underwrite our profits this year. Having just completed the Casino Towers project in Brisbane, we currently have three major developments under construction.

The ability to undertake new high rise projects in the current market will largely depend on a developer being able to control construction costs which have risen significantly over the past 12-18 months. In response to this problem, the company has successfully established its own construction team and this will enable us to be very competitive in costing future projects.

The Housing market has slowed and some concerning issues have emerged from this recent market cycle. These include affordability for first homebuyers and land supply which has been adversely impacted by a

shortage of zoned land and processing delays by local authorities. With the increased investment in high-rise projects, the capital base of Devine has been stretched and has limited the company's ability to invest in land for its housing Division. This in turn has caused us to rely on other developers' land which seriously reduces our control over the design of that land, the timing of its release and profit potential.

Our strategy to redress this problem and to control more land for house and land developments is currently being implemented. This strategy has been greatly assisted by the strong interest now being shown in our company by land vendors and other land developers wanting to become involved with us. In addition, a number of lenders have expressed a keen interest in participating in the funding of future land acquisitions. We have also been successful in recruiting some well credentialed key staff for this business.

Our high rise projects will make a significant profit contribution during the year but the achievement in full of the budget will very much depend on the strength of the housing market and the timing of land releases, some of which continue to experience processing delays in council.

On the subject of results and financial reporting, the accounting rules have changed dramatically for us this year. Australian companies are now required to report in accordance with the Australian equivalents of the International Financial Reporting Standards. A resultant material change for Development Companies relates to the reporting of revenue and profit on high rise unit developments. Previously development companies reported revenue and profit progressively as the project was built, but now revenue and profit can only be brought to account on full completion and settlement of the project. Fortunately we have two projects completing this year and two due for completion next year. You will notice these reporting changes in the half yearly results.

Finally, to enable shareholders to increase their investment in the company we have decided to retain the Dividend Reinvestment Plan and the Share Purchase Plan. Details have been forwarded to you.

The company has made real progress this year in preparing for the future in both the Housing and Land and Property Development businesses and I would like to acknowledge the work of my fellow directors and in particular the senior executives and staff of the company.

**Doug J Ridley**  
**Chairman**

# **MANAGING DIRECTOR'S ADDRESS**

## **ANNUAL GENERAL MEETING**

### **9<sup>th</sup> NOVEMBER 2005**

The 2005 financial year was our second best result on record with an after tax profit of \$16.1M.

---

Today with the assistance of a PowerPoint presentation I will cover:-

- An overview of operations and highlights of 2005
  - Financial performance for the 2005 year
  - Future Outlook
  - Key projects and housing product
- 

#### **Firstly the Company Structure**

We operate under five divisions.

- Housing
    - First home buyer
    - Discretionary buyer
  - Land Development
  - Property Development
    - Medium density
    - CBD high-rise
  - Construction Division
  - Finance Division
    - Loan origination & securitisation
    - Loan administration
- 

#### **Housing Division**

- The Housing Division suffered from a slowing market and difficulty in timely delivery of land, which had an adverse affect on revenue and profit.

- Revenue was down 5.4% to \$216.8M and PBT down 47% to \$9.5M.
  - Margins were materially effected by lower commissions from outside developers. This is now changing and developers are offering incentives to builders to help sell their land.
  - Housing affordability is another major problem mostly due to dramatic increases in land prices over the last few years.
- 

## **Land**

- Land has been in short supply in all markets in which we operate.
  - Councils throughout the country are causing major delays in processing development applications especially in South East Queensland.
  - Our strategy for the future is to develop and control our own land supply.
  - Due to the slow down, land is becoming more plentiful. We are now acquiring super lots from developers at wholesale prices to allow us to reconfigure and improve our margins and affordability.
  - We have during the year, recruited key senior staff to identify and deliver on new land developments.
  - Land acquisition and development will be a significant part of our future business.
- 

## **Land Control**

- Currently we have nearly 2,000 lots under our control and plan to increase this number over the next two years.
- We are setting up a property trust to fund land purchases to increase margins and allow us to control delivery and improve affordability by smart design of housing and land products.
- In the past we have been reliant on developers to source land. In the future we plan to acquire and develop our own land funded by the property trust. This will deliver the following major benefits:-
  - Increased Margin
  - Control over delivery

- Pre planned developments
- More affordable and appropriate developments
- Off balance sheet funding

This structure is partly in place now and will be fully operational by the end of this financial year.

Again I reiterate we have recruited some very talented people to manager this process.

---

### **Property Development**

- Revenue was up 77% to \$248M and profit was up 173% to \$17.98M.
- We have a number of projects being constructed over the next two years that will maintain good revenue and profit.
- Casino Towers was completed in July 05 with all units now settled.
- Victoria Point Docklands, our largest project at \$338M, is ahead of budget and ahead of time and will settle this financial year.
- The \$24M Commercial Building has settled.
- 105 Serviced Apartments are currently settling.
- The retail space is ahead of target and the main Residential Tower is scheduled for completion in February 06.
- There are 16 units unsold.

### **Festival Towers**

- On the corner of Albert and Charlotte Streets Brisbane with an end value of \$162M.
- Is behind completion date by approximately four months but the profit margin will be maintained.
- There are only eight units available for sale.

### **Charlotte Towers**

- Down the road from Festival Towers.

- This \$170M project is the first undertaken by our new In-house Construction Division, Devine Constructions.
- This division was formed last year to build future high-rise developments to improve margins and give us a competitive advantage.
- We spent a lot of time to set this division up because we are well aware of the risks.
- I am pleased to report that Charlotte Towers is ahead of time and ahead of budget and confirms our decision to set up this division.

### **Property Development**

- We have completed 1,376 units with a value of \$418M and currently have 1,369 units under construction totaling \$670M.
  - The total of completed and under construction units is 2,745 units totaling \$1,088 million.
- 

### **Finance Division**

- Has been disappointing this year due to low volumes from the housing business.
- This division includes loan origination, securitisation and servicing business.
- It offers benefits to our housing business by assisting the selling process with a finance package.
- First loan was approved in November 2000.
- 2,387 loans totaling \$541M approved to date.
- Fourth term bond for \$118M was issued in May 2005.
- No losses recorded on loan portfolio to date.
- Devine's exposure is limited to 2% of loan value and is adequately provided for in the accounts.
- Loans to come on balance sheet under the new international accounting standards.

- We are focusing on increasing volumes to reduce further losses.
- 

### **Overview of Financials for FY05**

- Revenue was up 25.9% from \$376M to \$474M.
  - PBT was up 1% from \$22.5M to \$22.7M.
  - NPT was up 3% from \$15.7M to \$16.1M.
  - Nett assets were up 15.1% from \$82M to \$94M.
  - There are other graphs covering more financial information in the hand outs.
- 

### **Highlights Over the Last 12 Months**

- Earnings up on previous year in a softer market.
  - New land acquisitions in Victoria and South Australia, which will flow into this year.
  - Land development activities now in Victoria, South Australia and Queensland.
  - Commencement of the 416 unit Charlotte Towers project by our In-House Construction Division.
  - Settlement of Casino Towers.
  - Raised \$5M additional equity through the share purchase plan.
  - Progress made on the Currumbin development on the Gold Coast. We are confident of achieving a development approval this financial year.
  - Devine Ltd were rated number seven nationally in the HIA Annual Top 100 Builders Survey. we ranked 13<sup>th</sup> the year before.
  - New Board appointments in Mr Terry Mackenroth and Mr Darryl Somerville together with other Board Members will help guide the company to future growth ahead.
- 

### **Future Outlook**

- Full year 2005/6 profit expected to be up on 2005 year.
- Improving outlook for the housing market over next 12 to 18 months.
- Affordability remains a major issue however we are moving towards more appropriate and affordable house/land packages.
- Expect approval of Currumbin within six months and development to commence before July 06.
- Completion and settlement of Victoria Point Docklands and Festival Towers over the next 12 months.
- Increased land development activities in Queensland, Victoria and South Australia planned.
- As I mentioned before, we have recruited some senior staff to manage the expansion into land development.
- The establishment of a property trust is well advanced to help fund our investment into future land stock for development.
- We are moving into an exciting phase for the future of our company:-
  - with new Board Members.
  - additional senior experienced staff.
  - a property trust to reduce risk and increase funding.
  - the setting up of the high-rise construction division.

All goes well for an exciting and rewarding future.

Thanks to the staff and Board for their support and efforts during the year.

We will now show some slides of various projects and housing.