



## **Chairman's Address to AGM Stamford Plaza Hotel, Brisbane 9 November 2006**

### **Year Ended 30 June 2006**

Ladies and Gentlemen

On behalf of the Board of Devine Limited, can I welcome you to the company's 14<sup>th</sup> Annual General Meeting. The purpose of today's meeting is, of course, not only to meet our statutory obligations but also to let you know as much as possible about your company and to afford you the opportunity to ask whatever questions you may wish to ask.

To that end I will shortly call upon our Managing Director, Mr. David Devine, to address us to provide details of the company's performance, prospects and future plans. That will be followed by the re-election of two directors.

On behalf of your Board, I am pleased to report to you that an after tax profit of \$18.87M was recorded for the 2005/06 year under the new Australian Equivalents to International Financial Reporting Standards (AIFRS). This was earned on revenues of \$571.7M.

As required under the Corporations Law, this is the first full year result for the Company reported under AIFRS. These new accounting standards replaced the previous Australian Accounting Standards (AGAAP).

As previously advised, the transition to these new accounting standards has had a material impact on the way that revenue, profits and shareholders' funds are reported for Property Development Companies and, accordingly, on Devine Limited's results. Details of the changes required to revenue and profit recognition and the impact on the Consolidated Group's balance sheet resulting from the transition to AIFRS are set out in the notes that accompany the accounts.

Basic earnings per share was 14.4 cents for the year and Directors declared a final dividend of 4.0 cents per share fully franked making the full year dividend 8.0 cents per share fully franked. The final dividend was paid on 3 November 2006.

This dividend payment will result in 57% of the company's after tax earnings being distributed to shareholders for the 2005/06 year.

Directors have maintained the full year dividend at the same level as last year's despite an increase in the number of ordinary shares on issue resulting from the successful Share Purchase Plan offer made to shareholders in November 2005 and the additional shares issued under the company's Dividend Reinvestment Plan (DRP).

Given the positive response by shareholders to the DRP since reinstatement in May 2005, your Directors intend to retain this option for shareholders who wish to increase their holdings in Devine with no transactional costs and at a discount, which will be reviewed from time to time, to the prevailing market price. The discount applicable to shares issued in the DRP in respect of the final dividend just paid was 7.5%.

Other key ratios were a net tangible asset backing per share of 45.8 cents at year-end, up from the AIFRS restated 37.6 cents a year earlier and a return on shareholders equity at year-end of 28.8%.

## **Key Activities and Initiatives**

During the past year, Directors and Senior Management continued to progress the strategy to further diversify the company's activities. This strategy saw the establishment of a Commercial Division, further progress on the establishment of a Funds Management capability and an increase in land owned or controlled for future development.

The above initiatives follow the establishment last year of Devine Constructions. This division provides Devine with a construction capability to build high-rise residential and commercial developments. I am pleased to report that this division's first project, "Charlotte Towers" in Brisbane, is progressing ahead of schedule and within budgeted costs.

In July 2006, the company's newly established Commercial Division acquired a Brisbane CBD site which is earmarked for a 25 level office tower. As announced to the market in August 2006, this yet to be constructed building has been sold to a third party property trust, which will provide a satisfactory return for the company. Completion of the building by Devine Constructions is expected to occur in mid 2008.

On the housing and land side, during the 2005/06 year, the number of equivalent lots when ultimately developed, either owned or controlled, increased by 61% to 3,028 at 30 June 2006. This is in keeping with the company's stated objective to increase the land bank to around 5,000 equivalent lots by June 2008.

Clearly as the business expands it has been necessary for your Board to consider the company's capital requirements. In that connection we have appointed a broker to place the DRP participation shortfall which could raise an additional \$4 million in capital through the issue of approximately 4.5 million new shares. In addition, we currently have under consideration a capital raising through either a private placement or Share Purchase Plan offer to existing shareholders of up to \$5000 per shareholder or both.

As mentioned in the Annual Report, the Board has had under consideration for some time what action should be taken with the company's Finance Division "First Permanent". You will recall that this business reported a loss for the year. I am pleased to announce that we have negotiated the sale of First Permanent to a major financial institution on satisfactory terms and we are working with them to finalise sale documentation and other issues leading up to a proposed settlement on 15 December 2006.

## **Board and Governance**

During the year, the company's Corporate Governance principles were reviewed and updated. Directors continue to place importance on having clearly defined corporate governance policies and ensuring adherence to these policies and procedures. These are outlined in the company's Annual Report.

## **Outlook**

Housing affordability continues to be a major issue for aspiring first homebuyers. Over the past year, governments at both the Federal and State level have acknowledged the issue and its social and economic consequences.

The affordability issue subdued the housing market over the 2005/06 year. With three interest rate rises having occurred this year, including yesterday's, and the possibility of more increases to come, affordability will continue as a major issue in the 2006/07 year. Offsetting this to a degree will be profits generated by the increased activity from the company's land development and investor marketing activities.

Devine is well positioned in relation to its Property Development activities in the 2006/07 year. The "Festival Towers" project was completed in July 2006 and all debt on this project has been repaid and settlements of units are almost complete. Revenue and profits from this project will be reported in the 2006/07 year. The company's other major CBD project, "Charlotte Towers", is due for completion in the June 07 quarter and again, will make a significant contribution to profits for the 2006/07 year.

The completion and settlement of the two CBD projects and the repayment of corresponding debt will result in a reduction in the overall gearing level of the consolidated group's balance sheet. This will be further enhanced by the strategy mentioned earlier to secure external equity to help fund the company's larger residential land development projects, and by the pending sale of First Permanent

## **Our Team**

As the company diversifies and expands it becomes more important than ever to ensure that we have in place a management team with the appropriate breadth and depth of experience and skills. The Managing Director will have more to say about this but I am pleased to say that I am confident that our management team, including some recent key appointments, is a stable team which possesses the skills which the company needs going forward.

## **Conclusion**

This is an exciting time for Devine Limited. It is in a growth and diversification phase which will see it, over time, both diversify its earnings base and increase its revenue generating potential. We are about to embark on several outstanding projects and David Devine will shortly provide more detail on these. In addition there are several exciting development opportunities currently being investigated. The projects that are found to be suitable and which are progressed, together with our ongoing projects, will underpin earnings over the medium term.

In conclusion I wish to acknowledge the contribution made by the company's team of dedicated managers and employees and on behalf of the Board and Shareholders I extend our appreciation for their outstanding efforts.

I would now like to introduce Mr David Devine to talk to you in more detail about the company's performance, prospects and future plans.

**Darryl Somerville**

**Chairman**