



## Chairman's Address

### Year Ended 30 June 2008

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My name is Darryl Somerville, Chairman of Devine Limited. I am delighted to welcome you this morning to the company's 16th Annual General Meeting.

It has been another exciting year for your Company and I look forward to outlining the major highlights and achievements and our outlook for the current year. I also invite you to ask whatever questions you may wish. We will ensure that ample time is available.

When I am finished, I will call upon our Managing Director, Mr. David Devine, to talk about the Company's operations in 2007/08 as well as the future outlook. It is a very interesting time for the company and I am sure that you will be interested to hear of the company's plans in the current climate.

David's address will be followed by the re-election of three Directors , Mr Terence Mackenroth, Mr Peter Ferris and Mr Ken Woodley.

I am pleased to report to you on the results and activities of Devine Limited for the year ending 30 June 2008. An after tax profit of \$31.850M was reported for the 2007/08 year which was a 49.1% increase on the previous year's result. This was earned on revenues of \$577.519M.

This would be a very good result at any time but is particularly pleasing in the difficult economic circumstances experienced for at least part of the 2007/08 year.

Your Board and the management team have been active over the last year in progressing a number of initiatives and project opportunities that are aimed at positioning the company for further growth over the coming years. A number of these initiatives will be covered in the Managing Director's report on operations.

A key decision taken in the latter part of the 2007 calendar year was to undertake a 1 for 5 rights issue. This was well received by shareholders and resulted in the Devine Group's balance sheet being further strengthened. I will comment on this and other capital management initiatives in more detail later.

## **Results**

It was pleasing to see profit coming from a number of different segments of the business in the 2007/08 year.

The Housing & Land Division returned to profitability in the year under review. This was achieved despite the housing market continuing to weaken over the period due to a further deterioration in housing affordability and a weakening in consumer confidence.

Property Development activities also contributed strongly to the \$31.850M after tax profit.

An important profit contribution was also made by the Body Corporate and Property Management business, SSKB Holdings Pty Ltd, which was acquired in late 2007.

Basic earnings per share were 12.1 cents for the year on the expanded capital base (2006/07, 14.3 cents) and Directors have declared a final dividend of 4.0 cents per share fully franked maintaining the full year dividend at 8.0 cents per share fully franked (last year 8 cents fully franked). The final dividend was paid on 17 October 2008.

Another key ratio was a net tangible asset backing per share of 82.1 cents at year end (last year, 73.3 cents). The return on shareholders funds on a weighted average basis taking into account the increased equity and shares on issue was 14.3% (last year 24.8%).

## **Key Activities and Initiatives**

The past year saw further diversification of the company's activities, product offerings and geographic reach. This was evidenced by the acquisition of a Body Corporate and Property Management business, the agreement reached with Leighton Properties to enter into three large-scale joint ventures and the sale prior to commencement of a serviced apartment hotel development in Melbourne. Another milestone achieved during the year was the completion in June 08 of the company's first office tower development in the Brisbane CBD at 333 Ann St.

A key strategic decision made two years ago was to increase the company's inventory of land for future residential development. Acquisitions made through the year saw this increase at 30 June 2008 to 8,775 equivalent lots when fully developed, an increase of 92% over the lots owned or controlled a year earlier. This will position the company to take advantage of the next cyclical upturn in the housing market.

Being mindful of the constraints on the company's available capital, the Board endorsed a strategy of entering into a number of joint ventures on both large property development projects and some smaller residential land development projects. As mentioned earlier, Devine and Leighton Properties have entered into three joint ventures thus far. They are the "Hamilton Harbour" project adjacent to Brisbane's cruise ship terminal, King George Central, the proposed 35 level office development at 145 Ann St in the Brisbane CBD and Townsville Southbank, on the QLD Rail site that both parties successfully tendered for in Townsville.

## **Capital Structure**

At the company's 2007 AGM, I advised shareholders that your Board had decided to undertake a 1 for 5 Rights Issue. This was successfully concluded in December 2007 and raised \$62.5M in additional equity. Given the events of the past nine months, this has proved to be a timely and appropriate initiative and when added to the equity raised through the placement to Leighton in May 2007, has resulted in a further strengthening of the company's balance sheet.

Given the Group's pipeline of future projects, Directors believed that it was prudent from a capital management perspective to reinstate the Dividend Reinvestment Plan (DRP). This was announced on 28<sup>th</sup> August and is now complete.

## **Board and Governance**

As previously announced I have decided not to seek re-election to the Board and my term as a Director will finish at the completion of this meeting. I am very pleased to confirm that Mr. Doug Ridley will take over as Chairman of your company and I congratulate Doug on that election.

During the year, the Australian Securities Exchange (ASX) released revised Corporate Governance Principles and Recommendations to be effective from the first financial year commencing on or after 1 January 2008. The company has elected to early adopt these principles and recommendations and accordingly has revised its Corporate Governance Statement. This appears in the Annual Report.

## **Outlook**

It is stating the obvious to say that the past year has seen a significant change in the financial environment both globally and domestically. The tightening of the credit markets and the performance of equity markets has resulted in a significant drop in business and consumer confidence. This latter point, together with the ongoing housing affordability issue, is weighing heavily on the housing market generally. The recent reductions in interest rates in Australia suggest that they will continue to trend down over the coming months. Clearly this should assist with the recovery of the housing sector.

Despite the above backdrop, the fundamentals for the housing market in Australia remain sound. There is a significant and growing undersupply of housing in Australia, which is evidenced by historically low vacancy rates and rising rents.

Your company is well positioned. Good progress is being made across a number of projects, which Directors believe will make a material contribution to revenues and profits over the next few years.

Forecasting activity levels over the next twelve months does however remain problematic. Uncertainty remains as to the timing of a recovery in the housing market and the commencement of a number of large-scale property development projects is subject to a range of variables including funding and the time taken to gain regulatory and other approvals.

Notwithstanding the above and based on the company's latest budget projections, Directors are expecting at this stage that the result for the 2008/09 year will be around 15% up on the year just ended. The forecast for the half year ending December 2008 is for profit to be up by around 15% to 20% on the same period last year.

## **Conclusion**

The 2007/08 year for Devine can be characterised as being one of both growth and at the same time consolidation for the company. In growing the company we have further strengthened the balance sheet through the rights issue, acquired a number of strategic development sites, diversified by acquiring a body corporate management business and have expanded our land bank of residential land for future development.

We have consolidated the Group's operations by divesting the large development site at Currumbin on the Gold Coast, entering into a number of joint ventures on company owned projects and by focusing on the planning and delivery phases of these and other projects.

The overriding strategy has been to position the company for the upturn in the housing market when it comes and to expand its revenue generating capabilities.

In closing, I want to record the Directors' appreciation for the efforts of the Devine employee team. I don't say that lightly. The real strength of this company is the tremendous team of very loyal people who make a very significant contribution in many ways.

I would like also to acknowledge the contribution made by my fellow Directors and thank them for their commitment and support over the 2007/08 year.

Finally to you the shareholders I would like to record the company's appreciation for your ongoing support.

On a personal note, I would very much like to record my sincere appreciation to my fellow Directors, the shareholders and the wonderful group of dedicated people who work within this company, for the support that I have been afforded during my term as Chairman. I will always remain a friend and supporter of the company and convey my best wishes for it to continue its ongoing success in to the future.

I now invite David Devine to address the meeting.

We turn now to the formal part of the meeting.

**Darryl Somerville**  
**Chairman**