



**MANAGING DIRECTOR'S ADDRESS  
ANNUAL GENERAL MEETING  
31<sup>st</sup> OCTOBER 2008**

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THANK YOU DARRYL,

The 2007/08 YEAR SAW THE COMPANY REPORT A SOLID LIFT IN EARNINGS WHEN COMPARED TO THE PREVIOUS 12 MONTHS AND DECLARE A RECORD PROFIT AFTER TAX. THIS WAS DESPITE DIFFICULT ECONOMIC CONDITIONS PREVAILING IN THE LATTER PART OF THE YEAR.

THE COMPANY HAS CONTINUED ITS DIVERSIFICATION INTO COMMERCIAL DEVELOPMENT WITH CONSIDERABLE SUCCESS AND, AS FORESHADOWED LAST YEAR, DEVINE AND ITS MAJOR SHAREHOLDER LEIGHTON HAVE FORMALLY ENTERED INTO JOINT VENTURE DEVELOPMENT OPPORTUNITIES ON THREE PROJECTS. I WILL EXPAND ON ALL OF THIS DURING MY PRESENTATION.

TODAY I WILL PRESENT THE FOLLOWING:-

- GROUP FINANCIAL HIGHLIGHTS – FOR THE 2008 YEAR
- OVERVIEW OF OPERATIONS
- COMPANY OUTLOOK

**2008 FINANCIAL HIGHLIGHTS**

**FINANCIAL OVERVIEW- SLIDE 1**

IT IS PLEASING TO REPORT ANOTHER STRONG RESULT FOR THE 2007/08 YEAR WITH A PROFIT BEFORE TAX OF \$45.3M ON REVENUE OF \$577.5M.

THIS RESULTED IN A NET PROFIT AFTER TAX OF \$31.8M, A RECORD RESULT FOR THE COMPANY, WHICH WAS 49.1% UP ON THE PRECEDING YEAR DESPITE REVENUES INCREASING BY ONLY 5.4% OVER THE PERIOD.

ALSO PLEASING WAS THAT MARGINS WERE MAINTAINED IN WHAT HAS BEEN A DIFFICULT MARKET ENVIRONMENT, PARTICULARLY IN THE HOUSING SECTOR.

BASIC EARNINGS PER SHARE WERE 12.1 CENTS FOR THE YEAR. WHILST MARGINALLY DOWN FROM THE 14.3 CENTS RECORDED IN THE PREVIOUS YEAR, THE 12.1 CENTS WAS EARNED DESPITE THERE BEING A 75% INCREASE IN THE WEIGHTED AVERAGE NUMBER OF SHARES ON ISSUE YEAR ON YEAR.

THE FINAL DIVIDEND WAS STEADY AT 4 CENTS, AS WAS THE FULL YEAR DIVIDEND OF 8 CENTS PER SHARE FULLY FRANKED.

## **FINANCIAL OVERVIEW – SLIDE 2**

THE NET ASSETS / SHAREHOLDERS FUNDS OF \$251.6M AT JUNE 2008 INCLUDES CONTRIBUTED EQUITY FOR THE GROUP OF \$211.78M. THIS REPRESENTS A FOUR-FOLD INCREASE IN CONTRIBUTED EQUITY IN THE PERIOD FROM MAY 2007 TO DECEMBER 2007.

THIS INCREASE FOLLOWED THE INJECTION OF ADDITIONAL CAPITAL FROM THE PLACEMENT OF SHARES TO LEIGHTON IN MAY 2007 AND THE SUBSEQUENT 1 FOR 5 RIGHTS ISSUE IN DECEMBER OF THAT YEAR. FOLLOWING ON FROM THIS, THE BOARD SET IN PLACE A STRATEGY TO GROW THE REVENUE AND EARNINGS CAPABILITY OF THE GROUP, WHICH SAW TOTAL ASSETS INCREASE BY 67% OVER THE YEAR TO \$759.4M AT JUNE 2008.

TOTAL LIABILITIES INCREASED 83 % FROM \$277.2M TO \$507.8M, WHILE GEARING INCREASED FROM 41.4 % TO 53.1 %. I WILL ADDRESS THIS LATER IN MY REPORT.

NTA PER SHARE INCREASED 12 % TO 82.1 CENTS, UP FROM 73.3 CENTS.

WITH THE INCREASED CAPITAL BASE NOW IN PLACE, THE TASK BEFORE US IS TO GENERATE APPROPRIATE RETURNS ON THIS AND REWARD SHAREHOLDERS WITH INCREASED EARNINGS PER SHARE OVER THE COMING YEARS.

I WILL OUTLINE IN MORE DETAIL LATER, THE PROJECTS AND OTHER OPPORTUNITIES THAT WE BELIEVE WILL DELIVER THESE INCREASED EARNINGS.

## **FINANCIAL OVERVIEW – SLIDE 3**

AS YOU CAN SEE FROM THIS SLIDE, THE PROPERTY DEVELOPMENT DIVISION CONTRIBUTED THE BULK OF DEVINE'S PROFIT BEFORE TAX THIS YEAR, WITH 87 % OF PROFITS FROM THIS BUSINESS DESPITE THE DIVISION ACCOUNTING FOR ONLY 50 % OF THE COMPANY'S REVENUE.

## **PROPERTY DEVELOPMENT DIVISION**

THIS DIVISION REPORTED A PROFIT BEFORE TAX OF \$41.3M FOR THE YEAR 2007/08 YEAR, UP 10% ON THE PREVIOUS YEAR. THIS WAS GENERATED ON REVENUE OF \$292.7M COMPARED TO REVENUES OF \$363.6M RECORDED IN THE PREVIOUS YEAR AND REFLECTS AN INCREASE IN GROSS MARGINS ACHIEVED.

MAJOR CONTRIBUTORS TO THE DIVISION'S PROFITS FOR THE YEAR WERE:

- SETTLEMENT OF ALL REMAINING UNITS IN THE COMPANY'S BRISBANE CBD CHARLOTTE TOWERS RESIDENTIAL UNIT PROJECT.
- SALE OF THE HAMILTON HARBOUR DEVELOPMENT SITE INTO A JV WITH LEIGHTON PROPERTIES.
- COMPLETION IN JUNE 2008 OF THE PREVIOUSLY SOLD AND FULLY LEASED 25 LEVEL OFFICE TOWER IN THE BRISBANE CBD AT 333 ANN ST.
- PROGRESS RECORDED ON THE COMPANY'S OTHER FULLY LEASED OFFICE

DEVELOPMENT AT HERSTON IN INNER BRISBANE WHICH HAS ALSO BEEN SOLD AND IS NOW COMPLETED.

- THE SALE AND SETTLEMENT OF THE DEVELOPMENT SITE AT CURRUMBIN ON THE GOLD COAST.

## **HOUSING AND LAND**

DESPITE CONTINUING SOFT MARKET CONDITIONS IN THE AUSTRALIAN HOUSING MARKET, THIS DIVISION PRODUCED A TURNAROUND RESULT TO RECORD A PROFIT BEFORE TAX OF \$4.5M FOR THE YEAR. THIS COMPARED TO A LOSS OF \$6.2M FOR THE PROCEEDING YEAR, A TURNAROUND OF \$10.7M.

REVENUES FOR THE YEAR WERE \$277.7M COMPARED TO \$184.3M FOR THE PREVIOUS YEAR.

WE ARE CONTINUING WITH OUR STRATEGY OF SELLING DEVELOPED LAND TO OTHER BUILDERS AND INTRODUCING NEW HOUSING DESIGNS TO MEET CHANGING MARKET CONDITIONS ON MOST RESIDENTIAL ESTATES.

OUR LAND BANK AS AT 30 JUNE 2008, WAS 8,775 EQUIVALENT LOTS. THIS IS REPRESENTED BY BROAD ACRE LAND, LAND UNDER DEVELOPMENT AND SOME DEVELOPED STOCK.

IT IS FELT THAT THIS LEVEL OF LAND INVENTORY WILL PROVIDE A SOUND BASE FROM WHICH TO GROW THE HOUSING AND LAND DIVISION OVER THE NEXT FEW YEARS AND TAKE ADVANTAGE OF THE UPTURN IN THE HOUSING MARKET WHEN IT COMES.

A JOINT VENTURE WAS RECENTLY ENTERED INTO ON ONE OF THE COMPANY'S LARGER LAND HOLDINGS IN VICTORIA AND FURTHER JOINT VENTURES ARE PLANNED TO OPTIMISE CAPITAL USAGE AND THE MANAGEMENT OF RISK.

IT WAS PLEASING TO SEE THE RECENT INCREASE TO \$21,000 FOR THE FIRST HOME OWNERS GRANT BY THE FEDERAL GOVERNMENT AND THE RECENT 1% REDUCTION IN THE CASH RATE BY THE RBA.

THE NATIONAL BUILDING STATISTICS FOR THE 2007/08 YEAR ARE NOW FINALISED WITH TOTAL DWELLING COMMENCEMENTS IN AUSTRALIA AT 156,886 FOR THE YEAR. THIS IS WELL DOWN ON PREVIOUS HIGHS AND WELL BELOW THE LEVEL OF UNDERLYING DEMAND OF 187,000. THIS IS REFLECTED IN THE VERY TIGHT RENTAL MARKET CONDITIONS IN MOST MARKETS WE OPERATE IN.

IT IS ESTIMATED THAT THE AUSTRALIAN RESIDENTIAL MARKET HAS A STOCK DEFICIANCY OF IN EXCESS OF 100,000 DWELLINGS.

## **DEVINE CONSTRUCTIONS**

DEVINE CONSTRUCTIONS COMPLETED THE CBD OFFICE TOWER PROJECT AT 333 ANN STREET IN JUNE 2008. THIS WAS AHEAD OF THE SCHEDULED COMPLETION TIME AND WELL WITHIN BUDGETED COSTS.

AS REPORTED EARLIER, ICB CENTRAL AT HERSTON (PICTURED RIGHT) IN THE INNER BRISBANE SUBURB OF HERSTON HAS NOW BEEN COMPLETED AND THIS WAS ALSO ACHIEVED AHEAD OF SCHEDULE AND WITH ABOVE BUDGETED MARGINS.

THE COMMERCIAL LEASING TEAM HAS SECURED THE STATE GOVERNMENT (QUEENSLAND HEALTH) AS TENNANTS FOR THE ENTIRE BUILDING. WE WERE ALSO SUCCESSFUL IN SECURING THE CONTRACT FOR THE INTERNAL FIT OUT OF THE BUILDING FOR THE DEPARTMENT OF HEALTH AND THIS WORK IS NOW UNDERWAY.

OUR CONSTRUCTION CAPABILITY PROVIDES DEVINE WITH A COMPETITIVE ADVANTAGE WHEN CONSIDERING NEW DEVELOPMENT OPPORTUNITIES. THIS DIVISION WILL ALSO BE TENDERING FOR THE CONSTRUCTION OF THE VARIOUS DEVINE/LEIGHTON JV PROJECTS OVER THE COMING MONTHS.

THERE ARE CURRENTLY NO PLANS FOR THIS DIVISION TO TENDER FOR THIRD PARTY WORK.

### **BODY CORPORATE AND PROPERTY MANAGEMENT**

THE SSKB BODY CORPORATE AND PROPERTY MANAGEMENT BUSINESS, WHICH WAS ACQUIRED IN SEPTEMBER 2007, HAS NOW BEEN FULLY INTEGRATED INTO THE DEVINE GROUP.

THE DIVISION CONTRIBUTED A PROFIT BEFORE TAX OF \$1.494M FOR THE NINE MONTHS TO JUNE 08 ON REVENUES OF \$8.8M. THIS RESULT WAS IN LINE WITH THE BUDGET AND THE PROJECTIONS REVIEWED DURING THE ACQUISITION DUE DILIGENCE PHASE.

DURING THE YEAR WE COMPLETED A STRATEGIC REVIEW OF THE BUSINESS AND HAVE PREPARED A DETAILED BUSINESS PLAN TO TAKE THE BUSINESS FORWARD.

PLANS ARE NOW UNDERWAY TO SIGNIFICANTLY GROW THE NUMBER OF "LOTS" UNDER BODY CORPORATE MANAGEMENT OVER THE NEXT FIVE YEARS. THIS WILL LEVERAGE OFF SSKB'S PROVEN SYSTEMS AND THE SOUND REPUTATION THAT THE BUSINESS HAS IN THE INDUSTRY.

### **PIPELINE OF MAJOR PROJECTS**

**131-135 BOURKE STREET, MELBOURNE** - DURING THE YEAR, DEVINE NEGOTIATED THE SALE OF THE PROPOSED SERVICED APARTMENT HOTEL PROJECT IN BOURKE ST IN THE MELBOURNE CBD. THIS WAS SOLD TO THE ASCOTT GROUP FOR \$136M AND IS PROGRAMMED TO BE COMPLETED IN THE THIRD QUARTER OF 2010.

SETTLEMENT OF THE LAND OCCURRED IN JUNE AND WORK COMMENCED IMMEDIATELY ON THE DEVELOPMENT. DEVINE IS RESPONSIBLE FOR THE "DELIVERY" OF THE HOTEL AND HAS CONTRACTED WITH MULTIPLEX IN RELATION TO THE BUILDING WORKS.

**99 MARY STREET IN THE BRISBANE CBD** - A NUMBER OF OPTIONS FOR THIS SITE ARE CURRENTLY BEING CONSIDERED WHICH INCLUDE A POSSIBLE STRATA TITLED OFFICE BUILDING AND A HOTEL DEVELOPMENT. DISCUSSIONS WITH A PARTICULAR PARTY IN RELATION TO THE LATTER OPTION ARE CURRENTLY PROGRESSING.

**THE "FRENCH QUARTER" PROJECT IN THE BRISBANE CBD** – THIS IS AN EXCITING PROJECT FOR THE COMPANY AND I WILL PROVIDE MORE DETAILS ON THE NEXT SLIDE.

## **PROJECT OVERVIEW – FRENCH QUARTER**

AS ANNOUNCED PROGRESSIVELY OVER THE LAST YEAR, DEVINE HAS SECURED A TOTAL OF SIX SITES THAT WILL COMPRISE A PRECINCT TO BE KNOWN AS, “THE FRENCH QUARTER”.

A MULTI-STAGED DEVELOPMENT INCLUDING A SIX STAR BOUTIQUE HOTEL, UP-MARKET RESIDENTIAL UNIT DEVELOPMENTS, AN OFFICE BUILDING AND RETAIL SPACE IS PLANNED FOR THIS PRIME SITE WITH AN ESTIMATED END VALUE OF \$1.2B

IT IS LOCATED OPPOSITE BRISBANE’S BOTANICAL GARDENS ON THE CORNERS OF ALICE, ALBERT AND MARGARET STREETS IN THE BRISBANE CBD.

FOLLOWING AN INTERNATIONAL ARCHITECTURAL COMPETITION, A LONDON BASED ARCHITECTURAL FIRM (ATKINS) WHO WERE THE ARCHITECTS FOR THE WORLD RENOWNED BURJ AL ARAB HOTEL IN DUBAI, WERE SELECTED FOR THE PROJECT.

THEY WILL BE WORKING IN CONJUNCTION WITH ML DESIGN, A BRISBANE BASED ARCHITECTURAL FIRM. IT IS INTENDED THAT A JV BE ENTERED INTO WITH A THIRD PARTY TO DEVELOP THE SITE. WORK IS NOW PROGRESSING TO SECURE A DEVELOPMENT APPROVAL FOR THIS STAGED PROJECT TO BE DEVELOPED OVER SEVERAL YEARS.

## **LEIGHTON PROPERTIES JVS**

**145 ANN STREET BRISBANE** - A CONDITIONAL 120-YEAR LEASE HAS BEEN ENTERED INTO WITH THE PRESBYTERIAN CHURCH ON THIS SITE. A 35-LEVEL OFFICE DEVELOPMENT TO BE KNOWN AS “KING GEORGE CENTRAL” IS PLANNED FOR THE SITE BY THE DEVINE/LEIGHTON PROPERTIES JV.

A DRAFT DEVELOPMENT APPROVAL FOR THE DEVELOPMENT HAS BEEN RECEIVED FROM THE BRISBANE CITY COUNCIL AND EXPRESSIONS OF INTEREST HAVE BEEN RECEIVED FROM A NUMBER OF PROSPECTIVE TENANTS FOR THE \$300M OFFICE TOWER.

**HAMILTON HARBOUR BRISBANE** - THIS PROJECT IS SITUATED ADJACENT TO BRISBANE’S NEW CRUISE SHIP TERMINAL AT HAMILTON, AN INNER SUBURB OF BRISBANE. A \$500M MIXED-USE DEVELOPMENT IS PLANNED FOR THE SITE.

FOLLOWING ONGOING CONSULTATION WITH THE BRISBANE CITY COUNCIL AND THE NEWLY ESTABLISHED BODY, THE URBAN LAND DEVELOPMENT AUTHORITY, WHICH HAS BEEN FORMED BY THE GOVERNMENT TO OVERSEE THE FUTURE DEVELOPMENT OF THE “NORTH SHORE” PRECINCT AT HAMILTON, PROGRESS IS BEING MADE TO SECURE A DEVELOPMENT APPROVAL.

**QUEENSLAND RAIL SITE (TOWNSVILLE)** - DURING THE JUNE 08 HALF-YEAR, THE DEVINE/LEIGHTON PROPERTIES JV SETTLED ON THE QLD RAIL LAND SITE SITUATED ADJACENT TO TOWNSVILLE’S CBD.

THIS FOLLOWED A SUCCESSFUL TENDER FOR THIS STRATEGIC SITE. A MIXED-USE PROJECT IS PLANNED TO BE DEVELOPED IN A NUMBER OF STAGES OVER THE NEXT SEVEN TO TEN YEARS WHICH IS EXPECTED TO HAVE AN END VALUE AROUND \$1.3 BILLION.

THE JV PARTNERS ARE PROGRESSING THE RELEVANT DEVELOPMENT APPROVALS TO

ALLOW WORKS TO COMMENCE ON THE FIRST STAGE. THIS IS ANTICIPATED TO OCCUR EARLY IN THE 2009 YEAR.

## **OUTLOOK – SLIDE 1**

### **HOUSING & LAND MARKET**

FUNDAMENTALS FOR THE HOUSING MARKET IN AUSTRALIA REMAIN SOUND WITH A SIGNIFICANT AND GROWING UNDERSUPPLY OF HOUSING, AS MENTIONED EARLIER, AND WHICH IS EVIDENCED BY HISTORICALLY LOW VACANCY RATES AND RISING RENTS.

ECONOMIC UNCERTAINTY WILL CONTINUE TO IMPACT ON DEMAND FOR HOUSING AND LAND IN THE FORESEEABLE FUTURE WITH ACTIVITY LEVELS DIFFICULT TO FORECAST.

HOWEVER, WITH THE INCREASE IN THE FIRST HOME OWNERS GRANT TO \$21,000 FOR NEW HOUSING AND THE RECENT DROP IN INTEREST RATES BY 1% AND FURTHER REDUCTIONS EXPECTED, THE MARKET IS FORECAST TO IMPROVE AND WE ARE WELL PLACED TO TAKE ADVANTAGE OF THIS IMPROVEMENT.

### **PROPERTY DEVELOPMENT**

DEVINE IS WELL POSITIONED IN RELATION TO ITS LARGER PROPERTY DEVELOPMENT PROJECTS AND THE JV'S IT HAS WITH LEIGHTON PROPERTIES.

GOOD PROGRESS IS BEING MADE ACROSS A NUMBER OF PROJECTS THAT WILL RESULT IN A MATERIAL CONTRIBUTION OF REVENUE AND PROFITS OVER THE NEXT FEW YEARS.

IT HAS TO BE NOTED HOWEVER THAT COMMENCEMENT OF A NUMBER OF OUR PROPERTY DEVELOPMENT PROJECTS IS SUBJECT TO A NUMBER OF VARIABLES INCLUDING THE TIME TAKEN TO GAIN REGULATORY AND OTHER APPROVALS.

## **OUTLOOK – SLIDE 2**

### **CAPITAL/DEBT POSITION**

DEVINE REMAINS WELL CAPITALISED FOLLOWING THE PLACEMENT TO LEIGHTON AND THE RIGHTS ISSUE, BOTH OF WHICH WERE CONCLUDED LAST YEAR.

THE MAJORITY OF OUR DEBT IS PROJECT SPECIFIC AND IS SECURED BY INDIVIDUAL LAND HOLDINGS. GIVEN THIS, WE CONSIDER THE OVERALL GEARING LEVEL FOR THE GROUP WHICH WAS 53% AS AT JUNE 2008, TO BE AT A COMFORTABLE LEVEL BUT, NEVERTHELESS, WE ARE SEEKING TO REDUCE THIS OVER TIME AS WE FINALISE A NUMBER OF POTENTIAL JV'S THAT WE ARE CURRENTLY PROGRESSING.

DEVINE'S INTEREST BEARING DEBT FACILITIES STOOD AT \$361M AS AT BALANCE DATE OF WHICH \$298.2M HAD BEEN USED. THIS RESULTED IN \$62.8M OF UNUSED FACILITIES BEING AVAILABLE.

INCLUDED IN THE DEBT FACILITIES AVAILABLE TO THE GROUP IS A \$180M TWO YEAR "EVERGREEN" FACILITY WITH OUR PRINCIPAL BANKERS, THE ANZ.

## **EARNINGS**

THE GROUP HAS A SIGNIFICANT PIPELINE OF WORK TO UNDERTAKE OVER THE NEXT FEW YEARS. WITH THE POSITIVE FUNDAMENTALS IN THE HOUSING MARKET LEADING TO AN EXPECTED RECOVERY IN THIS SECTOR IN THE SHORT TO MEDIUM TERM, WE ARE CONFIDENT OF DELIVERING INCREASED EARNINGS OVER THE NEXT FEW YEARS.

THE CHAIRMAN HAS COMMENTED ON THE EARNINGS OUTLOOK FOR THE DECEMBER HALF-YEAR AND THE FULL 2008/09 YEAR AND HAS NOTED THAT THE PROFIT GUIDANCE WE GAVE IN AUGUST IN RELATION TO THE FULL YEAR REMAINS FIRMLY IN OUR SIGHTS. HOWEVER, AS STATED AT THAT TIME, THE FULL YEAR RESULTS REMAIN SUBJECT TO ACHIEVING SPECIFIC OUTCOMES ON A NUMBER OF OUR LARGER PROPERTY DEVELOPMENT PROJECTS AND THE EXPECTED RECOVERY IN THE HOUSING MARKET.

THE RECENT GLOBAL FINANCIAL TURMOIL AND RESULTANT POTENTIAL ADVERSE IMPACT ON THE AVAILABILITY OF FUNDING FOR MAJOR PROJECTS AND CONSUMER CONFIDENCE GENERALLY, DOES HOWEVER MAKE FORECASTING DIFFICULT AT THIS STAGE.

## **CONCLUSION**

BEFORE I GO I WOULD LIKE TO EXPRESS MY THANKS TO DARRYL SOMERVILLE FOR HIS CONTRIBUTION TO THE COMPANY DURING HIS THREE YEARS ON THE BOARD AND PARTICULARLY DURING A PERIOD OF SIGNIFICANT GROWTH FOR DEVINE. I WISH YOU WELL FOR ALL OF YOUR FUTURE ENDEAVOURS DARRYL.

I WOULD ALSO LIKE TO CONGRATULATE DOUG RIDLEY ON HIS APPOINTMENT TO THE ROLE OF CHAIRMAN. DOUG HAS A WEALTH OF EXPERIENCE IN THIS INDUSTRY AND I'M SURE HE WILL CONTINUE TO MAKE AN IMPORTANT CONTRIBUTION TO DEVINE IN HIS NEW ROLE.

I WOULD ALSO LIKE TO EXPRESS MY APPRECIATION TO MY FELLOW DIRECTORS, THE MANAGEMENT TEAM AND THE TEAM OF DEDICATED EMPLOYEES AT DEVINE AND SSKB FOR THEIR CONTRIBUTION TO WHAT HAS BEEN A SUCCESSFUL YEAR FOR THE COMPANY.

THIS THANKS IS ALSO EXTENDED TO OUR MANY CONSULTANTS, SUPPLIERS AND SUB-CONTRACTORS WHO HAVE SUPPORTED US THROUGH THE YEAR.

I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO THANK YOU FOR YOUR ONGOING SUPPORT OF THE COMPANY AND ALSO FOR YOUR ATTENDANCE AT TODAY'S AGM.

**DAVID HT DEVINE**  
**MANAGING DIRECTOR**