

## Devine Limited - 2012 Annual General Meeting

### Chairman's Address

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Good morning Ladies and Gentlemen. On behalf of my fellow Directors I welcome you to Devine Limited's 19<sup>th</sup> Annual General Meeting.

My name is Peter Dransfield and I am your Chairman. I joined the Devine Board in April 2010 and became Chairman of Devine on the 1<sup>st</sup> July of this year. This followed the decision by our former Chairman, Doug Ridley, to step down from the Chairman's role which he had held since 2008. Doug has remained on the Board and I will say more about that and the composition of the Board later in my address to you.

Joining me on the platform are your Directors including our Chief Executive Officer and our Company Secretary. Let me introduce them to you.

We also have with us representatives from our Auditors Ernst & Young, our principal law firm McCullough Robertson and from our lead bank, the ANZ. Thank you for joining us today ladies and gentlemen.

Before moving to the formal business of the meeting, the first item of which being the consideration of the Financial Statements and the Directors' Report as set out in the 2012 Annual Report, I will give an overview of the Company's performance and prospects. Our Managing Director and Chief Executive Officer, David Keir, will then provide more detail on the Company's trading performance, its current operations and the market in general.

There will be opportunities for questions after our reports and during the meeting.

We move now to my report.

Having been directly involved in the residential property and construction sectors for a number of decades now, the current cycle, particularly in the housing and residential land sectors, is one of the most challenging I have experienced. With the exception of the period immediately after the introduction of the GST in 2000, you have to go back to the mid 1990's to find lower levels of completions of new dwellings.

Despite these difficult market settings, your Directors and the senior management team are confident that the business strategy that we have adopted will see the

Company return to acceptable levels of profitability and returns for shareholders when the market recovers. David will outline the company's position and trading prospects in his address to you.

Devine recorded statutory revenue from operations of \$314 million for the 2011/12 year. It should be noted that revenue of \$99 million representing Devine's share of the settlement of apartments at the Hamilton Harbour joint venture project is not included in the statutory revenue figure.

The revenue generated an underlying operating profit before tax of \$16 million and after tax and before impairments of \$11.1 million for the year.

As announced in June, Directors identified four Queensland property assets where they believed that these assets were unlikely to realise their carrying value in the short to medium term. They comprised two residential projects that are currently under development and two future development assets. This resulted in an impairment totalling \$24.0 million after tax being taken up and a statutory net loss after tax of \$12.9 million being recorded for the Group. Management have strategies in place to maximise the returns that are ultimately generated from these assets when they are realised.

Despite the reported statutory loss, the Company generated a positive operating cash flow surplus of \$27.5 million for the year and maintained a strong balance sheet with gearing of 28% and core debt facilities extended out to October 2014.

A fully franked final dividend of 2.0 cents per share was declared and this was paid on 28<sup>th</sup> September. This took the full year dividend to 4.0 cents per share fully franked.

Your Board and Senior Management again undertook their annual review of the Company's Strategic Plan in March 2012. The five year plan was reviewed and considered in the context of existing and likely market conditions. The Group's focus on geographic, product and market diversity will be maintained and enhanced.

Growth priorities will be focused on innovative product offerings in the Company's Housing business, continuing to capitalise on "wholesale build" opportunities, diversifying the Devine Constructions business by securing selected contracts for external customers, replenishing land stocks in a capital efficient manner in key growth corridors, and re-entering the Sydney market on a managed basis. David will expand further on some of these initiatives in his address.

As a capital management initiative, a proposal was put to shareholders at last year's AGM, which was subsequently approved, to undertake a 4 to 1 consolidation of Devine's shares whereby shareholders would receive one new share in Devine

Limited for every four pre-consolidation shares held. This was completed in November 2011 with the number of Devine Limited fully paid ordinary shares on issue now standing at 158.7 million (634.9 million pre-consolidation). It is important to note that the consolidation of shares did not affect the voting entitlements or percentage interest held by each shareholder.

I mentioned earlier in my address that I would come back to the composition of the Board. After serving as a Director since January 1999 which included two terms as Chairman of the company, Doug Ridley has elected to retire from the Board effective from 31 December of this year.

Doug's extensive experience in the housing and land sector and his stewardship of the Company through some difficult times are recognised and valued by his current and previous fellow Directors and the senior management team. Doug has made a significant contribution to the company over the last 14 years and his steadying hand and wise counsel will be missed. On behalf of Directors, I take this opportunity to thank him for his efforts and to wish him and his wife Connie the very best for the future.

In the interests of good corporate governance and recognising that the Leighton appointed Directors are required to be classified as non-independent, your Directors have determined that it is appropriate to maintain the current level of Board representation at eight, being four non-independent and four independent Directors.

I am pleased today to announce that Judith Downes has accepted an invitation to join the Devine Board with this to be effective from 1 January 2013. Judith is with us here today and I would ask her to please stand so that shareholders can identify her.

Judith has extensive experience in various senior accounting and finance roles having held senior executive positions with top 100 ASX listed companies including one of the top four banks. She currently holds a number of professional appointments including as a member of the International Financial Reporting Standards Advisory Council which is part of the International Accounting Standards Board. I and my fellow Directors look forward to welcoming Judith to the Board and we are sure that she will make a significant contribution to the company over coming years.

It is also appropriate that I take a moment to mention the passing of our former Director colleague, Peter Ferris. Peter retired from the Board immediately following last year's AGM and after a lengthy illness, passed away in March of this year. Condolences were extended on behalf of the Company at that time to Peter's wife and family.

Ladies and Gentlemen in my report to you in the 2012 Annual Report, I outlined the difficult trading conditions that exist in the markets in which Devine operates. Whilst the Gladstone market will be strong for Devine and the Townsville market exhibits some signs of a rebound in activity levels, the south-east Queensland, Melbourne and Adelaide markets remain soft.

With this background and with four months trading of the financial year behind us, Directors considered it appropriate to provide guidance in relation to the expected profit result for the 2012/13 year and this was provided to the market on the 5<sup>th</sup> November. Devine expects to report a profit before tax of approximately \$10m for the full-year. We have not provided any guidance at this stage as to the payment of a dividend for the year and Directors will consider this once the half-year results are finalised and will address this when the interim results are released in February next year.

I would like to thank my fellow Directors for their assistance and support as I have transitioned into the role of Chairman. I also thank the management team and staff at Devine for their commitment and hard work over what has been a challenging year.

Finally I acknowledge the support of you, our shareholders, and assure you that we are committed to improving the profitability of the Devine Group and the resultant value of your investment in Devine as soon as possible when the market returns to more normalised conditions.

I now invite our Managing Director and CEO, David Keir, to address you.

Peter Dransfield  
Chairman