



**Devine Limited - Annual General Meeting
Managing Director's Address
Customs House, Brisbane – 30 October, 2009 – 11.00am**

[SLIDE 4]

THANKYOU DOUG AND WELCOME SHAREHOLDERS.

THE 2009 FINANCIAL YEAR WILL BE REMEMBERED AS ONE OF THE MOST CHALLENGING IN THE LONG HISTORY OF OUR BUSINESS. AGAINST THIS BACKDROP I AM PLEASED TO REPORT WE ACHIEVED AN OPERATING PROFIT BEFORE TAX AND IMPAIRMENTS OF \$29.09M.

THE RESULT WAS UNDERPINNED BY TOTAL REVENUE OF \$440.49M WHICH EQUATES TO A RETURN ON SALES OF 6.6%, COMPARED TO 7.8% IN THE PREVIOUS YEAR. OUR NET PROFIT FOR THE YEAR WAS \$16.69M, WHICH WAS 47.6% DOWN ON THE 2007/08 YEAR.

THE ABSENCE OF ANY LARGE SCALE DEVELOPMENT PROJECTS COMPLETING IN THE YEAR HAD AN ADVERSE IMPACT ON THE RESULTS AND SAW THE CONTRIBUTION FROM THE PROPERTY DEVELOPMENT DIVISION NEARLY 75% LOWER THAN THE PREVIOUS YEAR.

OFFSETTING THIS WAS AN EXCELLENT RESULT FROM THE HOUSING AND LAND DIVISION WITH PROFITS UP 225% ON LAST YEAR.

IT IS ALSO PLEASING TO REPORT THAT MARGINS WERE MAINTAINED IN BOTH THE DEVINE HOMES AND DEVINE COMMUNITIES RESIDENTIAL LAND BUSINESS DESPITE A VERY COMPETITIVE ENVIRONMENT IN ALL MARKETS.

BASIC EARNINGS PER SHARE WERE 5.7 CENTS FOR THE YEAR, DOWN FROM 12.1 CENTS PREVIOUSLY WHILE OUR NET TANGIBLE ASSET BACKING PER SHARE FELL FROM 82.1 CENTS AT THE END OF JUNE 2008 TO 78.7 CENTS AT 30 JUNE, 2009.

THE TOTAL RETURN ON SHAREHOLDERS' FUNDS WAS 6.3%, DOWN FROM 14.3% PREVIOUSLY.

WHILE MANY OF THESE KEY INDICATORS FELL DURING THE YEAR I BELIEVE THE RESULTS WERE PARTICULARLY GOOD IN LIGHT OF THE VOLATILE FINANCIAL CLIMATE AND WHEN COMPARED TO THE PERFORMANCE OF OUR PEERS AND THE DEVELOPMENT SECTOR GENERALLY.

[SLIDE 5]

BEFORE PROVIDING A DETAILED ASSESSMENT OF EACH OF OUR OPERATING DIVISIONS I WOULD LIKE TO TAKE THE OPPORTUNITY TO HIGHLIGHT A NUMBER OF OUR ACHIEVEMENTS FOR THE 2009 FINANCIAL YEAR.



- PROFITS FOR THE HOUSING AND LAND DIVISION WERE UP 225% ON LAST YEAR WITH EXCELLENT CONTRIBUTIONS FROM OUR VICTORIAN AND SOUTH AUSTRALIAN OPERATIONS
- STRONG SALES WERE RECORDED ON THE FIRST STAGE OF THE COMPANY'S HAMILTON HARBOUR MIXED-USE JV DEVELOPMENT WITH LEIGHTON PROPERTIES AT HAMILTON IN BRISBANE
- A SIGNIFICANT LEVEL OF PRE-LEASING WAS ACHIEVED AT THE KING GEORGE CENTRAL PROJECT IN THE BRISBANE CBD.
- CONSTRUCTION OF THE COMPANY'S SERVICED APARTMENT HOTEL DEVELOPMENT IN BOURKE STREET MELBOURNE IS AHEAD OF SCHEDULE AND WITHIN BUDGET.
- IN SEPTEMBER 2008 WE COMPLETED THE COMPANY'S FIRST CITY FRINGE COMMERCIAL DEVELOPMENT AT HERSTON IN BRISBANE.

EACH OF THESE ACHIEVEMENTS IS EVEN MORE SIGNIFICANT GIVEN THE INCREDIBLY DIFFICULT OPERATING ENVIRONMENT IN WHICH THEY WERE ACHIEVED.

[SLIDE 6]

OUR HOUSING AND LAND DIVISION DELIVERED ANOTHER STRONG YEAR IN 2009, BUILDING ON THE TURNAROUND SUCCESS OF THE PREVIOUS YEAR.

THE DIVISION GENERATED PROFIT BEFORE TAX OF \$14.67 MILLION COMPARED WITH A PROFIT OF \$4.52 MILLION IN THE PREVIOUS YEAR, AN INCREASE OF 225%.

THE RESULT WAS UNDERPINNED BY REVENUES OF \$322.539 MILLION, UP 16% ON THE PREVIOUS YEAR.

A TOTAL OF 1,669 LOTS SETTLED IN THE 12 MONTHS TO 30 JUNE 2009 WHICH WAS 24% UP ON THE PREVIOUS YEAR.

AT THE 30 JUNE 2009, THE COMPANY'S LAND BANK WAS 7,593 EQUIVALENT LOTS WHEN FULLY DEVELOPED, 13% DOWN ON THE 8,775 LOTS AT 30 JUNE 2008.

THE COMPANY'S VICTORIAN AND SOUTH AUSTRALIAN OPERATIONS BOTH PERFORMED WELL AND WERE UNDERPINNED BY STRONG MARKET FUNDAMENTALS WHILE QUEENSLAND CONTINUES TO BE IMPACTED BY SUBDUED MARKET CONDITIONS AS A RESULT OF LARGE INCREASES IN THE COST OF LAND OVER THE LAST FEW YEARS WHICH HAVE HAD A SEVERE IMPACT ON AFFORDABILITY.



MATERIAL INCREASES IN INFRASTRUCTURES CHARGES IMPOSED BY LOCAL AUTHORITIES IN QUEENSLAND HAVE ALSO BEEN A MAJOR CONTRIBUTOR TO THE INCREASED COST OF LAND AND THE RESULTANT COST TO THE END BUYER.

ON THE POSITIVE SIDE IT IS IMPORTANT TO HIGHLIGHT ONE OF THE FACTORS WHICH HAS PLAYED A CONSIDERABLE ROLL IN THE OVERALL SUCCESS OF OUR HOUSE AND LAND DIVISION.

WE HAVE FOR SOME TIME NOW, PARTICULARLY IN VICTORIA AND SOUTH AUSTRALIA, BEEN ADOPTING A STRATEGY TO ACTIVELY MARKET DEVELOPED LOTS TO OTHER BUILDERS.

FOLLOWING THE APPOINTMENT IN JUNE OF OUR FORMER VICTORIAN GENERAL MANAGER LUKE HARTMAN AS NATIONAL GENERAL MANAGER FOR HOUSING AND LAND, WE EXPECT TO REPLICATE THE SUCCESS OF THIS STRATEGY IN QUEENSLAND.

IN TANDEM WITH THIS NEW STRATEGIC FOCUS WE HAVE DEVELOPED A CAPITAL MANAGEMENT PROGRAMME WHICH WILL GIVE US EVERY OPPORTUNITY FOR SUCCESS.

ALSO CONTRIBUTING TO THE INCREASED PROFIT WAS THE FEDERAL GOVERNMENT'S FIRST HOME OWNERS GRANT (FHOG) "BOOST" AND THE FALL IN OFFICIAL INTEREST RATES. THIS UNDERPINNED A SIGNIFICANT LIFT IN THE LEVEL OF ENQUIRY FROM FIRST HOME BUYERS WHILE INVESTORS ALSO RETURNED TO THE MARKET TO TAKE ADVANTAGE OF THE LOWER INTEREST RATES AND LOW VACANCY RATES IN MOST MARKETS.

WHILST THESE FACTORS CONTRIBUTED TO IMPROVED AFFORDABILITY, THEIR IMPACT WAS MUTED BY THE MORE CONSERVATIVE LENDING CRITERIA APPLIED BY THE MAJOR BANKS TO HOUSING CUSTOMERS AND THE CONSERVATIVE APPROACH TAKEN BY VALUERS WHEN VALUING HOUSE AND LAND PACKAGES FOR MORTGAGE PURPOSES.

THIS RESULTED IN AN INCREASE IN THE "DEPOSIT GAP" MEANING PURCHASERS HAVE TO CONTRIBUTE SIGNIFICANTLY MORE EQUITY TO COMPLETE THEIR PURCHASE.

[SLIDE 7]

OUR PROPERTY DEVELOPMENT OPERATIONS REPORTED A PROFIT BEFORE TAX OF \$10.66 MILLION FOR THE 12 MONTHS TO JUNE 2009, DOWN FROM \$41.33 MILLION THE PREVIOUS YEAR. THE LOWER RESULT WAS MAINLY DUE TO A 62% DECREASE IN REVENUES TO \$110.548 MILLION.

ONLY THREE PROJECTS CONTRIBUTED TOWARDS REVENUE FOR THE YEAR INCLUDING THE 333 ANN STREET OFFICE DEVELOPMENT IN THE BRISBANE CBD, THE ICB CENTRAL OFFICE PROJECT IN BRISBANE AND THE BOURKE STREET SERVICED APARTMENT HOTEL DEVELOPMENT IN MELBOURNE.



FOLLOWING THE COMPLETION OF ICB CENTRAL AND 333 ANN STREET PROJECTS WE ARE CURRENTLY FOCUSING ON A NUMBER OF PROJECTS.

THE 398-ROOM SERVICED APARTMENT HOTEL PROJECT AT BOURKE STREET IN MELBOURNE WAS 47% COMPLETE AT 30 JUNE 2009 WITH FINAL COMPLETION NOW EXPECTED TO OCCUR IN MARCH 2010, ABOUT SIX MONTHS AHEAD OF SCHEDULE. THE PROJECT HAS ALREADY BEEN PRE-SOLD TO THE ASCOTT GROUP FOR \$136 MILLION.

WE RECENTLY ANNOUNCED WE HAD SOLD THE 96 ALBERT STREET BUILDING IN THE BRISBANE CBD FOR \$15.2 MILLION. THE SALE WAS UNDERTAKEN AS PART OF THE RECOVERY PROCESS WE HAVE INITIATED FOLLOWING A PREVIOUS PURCHASER'S FAILURE TO SETTLE ON AN EARLIER UNCONDITIONAL CONTRACT FOR THE SALE OF THE BUILDING FOR \$23.5 MILLION. WE HAVE COMMENCED ACTION TO RECOVER THE BALANCE OF THE OUTSTANDING FUNDS.

WE ALSO DECIDED DURING THE YEAR TO SELL OUR HOLDINGS AT 99 MARY STREET AS IT WAS DETERMINED THAT THE PROPOSED FUTURE DEVELOPMENT SITE WAS SURPLUS TO REQUIREMENTS.

SUBSEQUENT TO THE END OF THE LAST FINANCIAL YEAR, WE HAVE ALSO TAKEN THE DECISION TO PUT THE CARRINGTON & CAMELOT SITES ON THE MARKET. THESE SITES ARE SITUATED ON THE CORNERS OF ALICE, ALBERT AND MARGARET STREETS IN THE BRISBANE CBD OPPOSITE THE BOTANICAL GARDENS AND HAD BEEN EARMARKED FOR OUR LANDMARK FRENCH QUARTER PROJECT.

THE FRENCH QUARTER HAS THE POTENTIAL TO BE THE MOST EXCITING PROJECT IN THE CITY OF BRISBANE OVER THE NEXT FEW YEARS AND THE DECISION TO SELL WAS NOT TAKEN LIGHTLY.

ULTIMATELY WE SEE BETTER OPPORTUNITIES TO GENERATE GREATER RETURN ON CAPITAL BY INVESTING IN OUR CORE RESIDENTIAL DEVELOPMENT BUSINESS.

THE SALE HAS ALREADY GENERATED SIGNIFICANT INTEREST AND WE EXPECT TO BE ABLE TO ANNOUNCE THE OUTCOME SHORTLY.

OUR JOINT VENTURES WITH LEIGHTON PROPERTIES ARE ALSO MAKING CONSIDERABLE PROGRESS.

SALES LEVELS ACHIEVED ON STAGE 1 OF THE HAMILTON HARBOUR MIXED-USE RESIDENTIAL, COMMERCIAL AND RETAIL DEVELOPMENT HAVE EXCEEDED OUR EARLIER EXPECTATIONS.

THE PROJECT WILL BE DEVELOPED OVER A NUMBER OF STAGES AND HAS AN ESTIMATED END VALUE WHEN COMPLETED OF APPROXIMATELY \$490M.



MARKETING OF THE FIRST STAGE OF THE RESIDENTIAL COMPONENT COMMENCED IN MARCH AND TO DATE WE HAVE SOLD 230 OF THE 257 UNITS IN THE FIRST STAGE.

TOGETHER WITH LEIGHTON PROPERTIES WE HAVE NOW COMMENCED THE PROCESS OF SECURING FUNDING FOR THE CONSTRUCTION PHASE AND, GIVEN THE HIGH LEVEL OF PRE-SALES ACHIEVED, ARE CONFIDENT OF ACHIEVING THIS TO ALLOW CONSTRUCTION TO COMMENCE SHORTLY.

THE KING GEORGE CENTRAL JOINT VENTURE WITH LEIGHTON IS PROGRESSING. DEVELOPMENT APPROVAL FOR THE PLANNED OFFICE TOWER AT 145 ANN STREET WAS RECEIVED IN THE DECEMBER 2008 HALF.

CONFIRMING THE QUALITY OF THE PROJECT AND ITS DESIRABLE LOCATION, A PRE-LEASING CAMPAIGN HAS MET WITH TREMENDOUS SUCCESS AND FOLLOWING THE COMMITMENT TO THE PROJECT BY TWO LARGE AUSTRALIAN PROFESSIONAL FIRMS, PRE-LEASING IS AT 65% OF THE 27,000 SQ. METERS TOTAL LETTABLE SPACE.

WE ARE ACTIVELY SEEKING FUNDING FOR THE PROJECT AND THIS IS PROVING CHALLENGING IN THE CURRENT DEBT MARKET.

AT THE QUEENSLAND RAIL SITE IN TOWNSVILLE WE ARE CONTINUING TO WORK THROUGH THE APPROVALS PROCESS WITH THE TOWNSVILLE CITY COUNCIL AND OTHER AUTHORITIES. THE PROJECT WILL BE DEVELOPED OVER THE NEXT SEVEN TO TEN YEARS.

[SLIDE 8]

FOLLOWING COMPLETION IN SEPTEMBER OF THE ICB CENTRAL OFFICE DEVELOPMENT, DEVINE CONSTRUCTIONS WERE AWARDED THE FIT OUT CONTRACT FOR THE BUILDING BY THE QUEENSLAND HEALTH DEPARTMENT.

WORK ON THIS SUPPLEMENTARY \$14 MILLION CONTRACT WAS COMPLETED IN MAY 2009.

DEVINE CONSTRUCTIONS HAS ALSO BEEN AWARDED THE CONSTRUCTION CONTRACT FOR THE DEVINE/LEIGHTON PROPERTIES JOINT VENTURE DEVELOPMENT, HAMILTON HARBOUR, DISCUSSED ABOVE.

THE BODY CORPORATE AND PROPERTY MANAGEMENT DIVISION, SSKB, RECORDED A PROFIT BEFORE TAX FOR THE 12 MONTHS OF \$1.343 MILLION.

THIS COMPARED TO A PROFIT OF \$1.494 MILLION FOR THE NINE MONTHS POST ITS ACQUISITION BY DEVINE IN SEPTEMBER 2007, TO JUNE 2008.

A STRATEGIC REVIEW UNDERTAKEN IN APRIL 2009 DETERMINED THAT, GIVEN THE CHANGED MARKET AND FINANCIAL ENVIRONMENT, A SALE OF THIS BUSINESS WAS THE APPROPRIATE STRATEGY.



AS MENTIONED BY THE CHAIRMAN, THE SALE HAS ACHIEVED A BREAKEVEN RESULT.

[SLIDE 9]

IN CLOSING I WOULD NOW LIKE TO PROVIDE SOME BRIEF COMMENTS ABOUT THE OUTLOOK FOR THE CURRENT YEAR.

WE ENTERED THE NEW FINANCIAL YEAR WITH A STRONG LEVEL OF WORK IN HAND FOR OUR HOUSING AND LAND DIVISION.

THE MARKET FUNDAMENTALS REMAIN POSITIVE WITH A LOW INTEREST RATE ENVIRONMENT AND AN INCREASING DEFICIENCY IN THE SUPPLY OF NEW HOUSING STOCK VERSUS DEMAND.

THIS IS SET TO CONTINUE AND KEEP PRESSURE ON THE ALREADY LOW VACANCY RATE FOR RENTAL ACCOMMODATION AND PUT UPWARDS PRESSURE ON RENTS.

THESE STRONG MARKET CONDITIONS ARE REFLECTED IN OUR EXCEPTIONALLY STRONG SALES FOR THE FIRST QUARTER.

IN VICTORIA WE RECORDED 432 SALES FOR THE THREE MONTHS TO THE END OF SEPTEMBER, UP FROM 124 IN THE SAME PERIOD LAST YEAR.

IN SOUTH AUSTRALIA WE REACHED 137 SALES FOR THE QUARTER, UP FROM 119 IN THE SAME PERIOD LAST YEAR WHILE IN QUEENSLAND WE ACHIEVED 192 SALES, UP FROM 37 IN 2008.

OVERALL OUR TOTAL SALES INCREASED 166% FROM 280 LAST YEAR TO 744 THIS YEAR. THIS IS A TERRIFIC START TO THE YEAR IN ANYBODY'S LANGUAGE

THIS LEVEL OF SUCCESS FURTHER UNDERPINS OUR DECISION TO DISPOSE OF A NUMBER OF ASSETS TO ENSURE WE HAVE THE APPROPRIATE CAPITAL RESOURCES TO FULLY EXPLOIT THIS WINDOW OF OPPORTUNITY TO ACQUIRE MORE LAND.

THESE PROJECTS WILL NOT MATERIALLY CONTRIBUTE TO REVENUE AND PROFITS IN THE 2009/10 YEAR.

AS THE CHAIRMAN MENTIONED, WE HAVE REVIEWED THE STRUCTURE OF THE COMPANY AND UNDERTAKEN A COMPREHENSIVE SUCCESSION PLANNING EXERCISE.

THIS IS TO ENSURE THAT WE ARE WELL POSITIONED TO TAKE ADVANTAGE OF NEW OPPORTUNITIES IN THE RESIDENTIAL SECTOR AND TO EMBARK ON THE NEXT GROWTH PHASE OF THE COMPANY.



SOME OF THE SENIOR MANAGEMENT CHANGES THAT HAVE RESULTED FROM THIS EXERCISE INCLUDE THE APPOINTMENT OF LUKE HARTMAN TO THE ROLE OF NATIONAL GENERAL MANAGER, HOUSING AND LAND.

LUKE BRINGS TO THE ROLE SIGNIFICANT EXPERIENCE IN LAND ACQUISITION AND DEVELOPMENT AND THIS, TOGETHER WITH HIS GENERAL MANAGEMENT SKILLS, WILL ASSIST US IN IMPLEMENTING OUR STRATEGIC PLAN TO EXPAND OUR LAND DEVELOPMENT ACTIVITIES ALONGSIDE OUR DEVINE HOMES OPERATIONS.

ANOTHER IMPORTANT SENIOR APPOINTMENT IS THAT OF OUR NEW CFO. PAUL COCHRANE COMMENCED WITH DEVINE ON 12TH OCTOBER AND WILL BE ASSUMING FULL RESPONSIBILITY FOR THIS ROLE OVER COMING WEEKS.

PAUL COMES TO DEVINE WITH A STRONG ACCOUNTING AND FINANCE BACKGROUND HAVING WORKED IN A NUMBER OF SENIOR MANAGEMENT POSITIONS WITH MAJOR COMPANIES IN THE PROPERTY DEVELOPMENT SECTOR OVER THE LAST ELEVEN YEARS.

VIV GRAYSON WHO HAS HELD THE DUAL ROLES OF CFO AND COMPANY SECRETARY FOR THE PAST TEN AND A HALF YEARS IS RELINQUISHING THE CFO ROLE TO CONCENTRATE ON THE COMPANY SECRETARIAL ROLE AND TO ALSO ASSUME ADDITIONAL RESPONSIBILITIES IN THE COMMERCIAL MANAGEMENT AREAS OF DEVINE.

THE APPOINTMENT OF PAUL AND CHANGED RESPONSIBILITIES FOR VIV WILL ADD DEPTH TO THE SENIOR MANAGEMENT TEAM.

THIS WILL BE MY LAST PRESENTATION AS MANAGING DIRECTOR. AS THE CHAIRMAN STATED IN HIS REPORT, I WILL BE STEPPING DOWN AS MANAGING DIRECTOR WHEN THE NEW CEO COMMENCES BUT I WILL BE REMAINING ON THE BOARD AS FOUNDING DIRECTOR.

I WOULD LIKE TO THANK ALL THE WONDERFUL PEOPLE WHO HAVE JOINED ME ON THE JOURNEY THAT HAS MADE THIS COMPANY WHAT IT IS TODAY. TO MY WIFE AND CHILDREN, I AM ESPECIALLY GRATEFUL FOR THEIR SUPPORT.

I WILL BE VISITING ALL DIVISIONS OF THE COMPANY IN THE NEAR FUTURE AS PART OF THE FAREWELL TO MY CURRENT ROLE AND TRANSITION TO MY NEW ONE AND LOOK FORWARD TO CATCHING UP WITH ALL THE DEDICATED AND HARD WORKING STAFF TO PERSONALLY THANK THEM FOR THEIR CONTRIBUTION TO THE COMPANY.

ALSO THANKYOU TO ALL OUR SHAREHOLDERS FOR YOUR SUPPORT.

THANK YOU.

DAVID H T DEVINE
MANAGING DIRECTOR