



**AGM ADDRESS**



**Devine**  
GROUP

**Chairman's Address**  
**Devine Limited**  
**2015 Annual General Meeting**  
**27 May, 2015 – 10.30am**

Good morning Ladies and Gentlemen. On behalf of my fellow Directors I would like to welcome you to Devine Limited's 22<sup>nd</sup> Annual General Meeting. My name is Peter Dransfield and I am your Chairman.

Joining me on the platform are your Directors including our Managing Director & CEO; and in the front row is the Company Secretary and CFO. Let me introduce them to you. Unfortunately Terry Mackenroth cannot be with us today due to a prior commitment interstate and he sends his apologies.

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

Before moving to the formal business of the meeting, the first item being the consideration of the Financial Statements and the Directors' Report as set out in the 2014 Annual Report; I would like to provide an update on a number of important issues facing the company.

I will then hand over to Devine's Managing Director and CEO David Keir for a detailed update on the Company's trading performance, its current activities and an outlook for 2015.

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

## **Sales Process**

Firstly, many of you will be aware that since July last year we have been exploring a formal sale process for all of the shares in the Company. This process was triggered by the decision of our largest shareholder – CIMIC (formerly Leighton) – to seek potential buyers for its 50.6% interest in the Company.

Following an expressions of interest campaign a number of parties were granted access to undertake due diligence. Following this process we received a number of conditional bids late last year. These bids were conditional on a number of factors, and in the time since receiving the bids we have been working closely with our advisors, Goldman Sachs, to progress these bids into formal, unconditional offers for the company.

As you will be aware the Company announced yesterday that the process has now concluded. A non-binding offer was received following confirmatory due diligence with a potential purchaser. The conditions of the offer could not be satisfied.

While cognisant of our responsibility to consider any future approaches from interested parties, we have elected at this time to conclude the formal sales process.



The business remains in a strong position with a number of opportunities for growth. The potential of the business in its current structure remains promising.

We will continue to keep to all shareholders informed of any events relating to this matter.

### **Board Renewal**

While all staff and shareholders are obviously interested in the outcome of the sale process we have endeavored to maintain a 'business as usual' approach to ensure continuity regardless of the outcome of our negotiations.

While it was announced in January that long term Director Terry Mackenroth would retire at today's meeting, it was pleasing to announce earlier in the month that Terry had reconsidered his position and elected to remain a Director of Devine Limited. I would like to thank him for reconsidering; he has provided the Board a wealth of experience and stability at this time.

Non-executive Director Ian Frost also retired earlier this year. While his time on the board was short, I would also like to thank Ian for his contributions.



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Fellow non-executive Director Graeme McOrist is also retiring at today's meeting. Graeme has been a director of Devine since 2007 and has also served as Chairman of the Audit Committee for the past three years. He has been an important member of the Board since his appointment and helped guide the Company through a number of difficult challenges.

I would like to stress that resignations are unrelated to the sale process we have been undertaking and simply reflect each individual Director's desire to pursue new opportunities.

As part of today's formal proceedings you will be asked to vote on the appointment of two new Directors – Mark Gray and David Robinson. Both new Directors will be representatives of Leighton Holdings, and therefore cannot be classified as Independent.

Mr Gray was Managing Director of Leighton Properties from 2007 until his retirement in December 2014. He has 40 years' experience in the property industry in both Australia and the USA.

Mr Robinson has been a non-executive Director of Leighton Holdings since 1990. He is a registered company auditor and tax agent and a chartered accountant and Principal of the firm Harveys Chartered Accountants in Sydney and served as a Director of Leighton Properties from 2000 to 2012.



More detailed profiles of each Director are provided in your Notice of Meeting. The Directors have recommended the election of Mr Gray and Mr Robinson and we are confident they will be valuable additions to the company.

### **Debt Facility**

I will let David provide a detailed report on the performance of the company shortly but I wanted to quickly address the issue of the company's debt arrangements.

As you are aware our primary debt facility expires on 31 August and is guaranteed up to \$50 million by our major shareholder; CIMC (formerly Leighton Holdings).

Debt reduction has been a key focus of the Board and Management over recent years and I am pleased to report that in the year to the end of December we were able to reduce debt by \$79.6 million. This reduced our gearing to approximately 15.4%. This is an excellent outcome and the direct result of the asset recycling program we have been implementing.

Despite the excellent work in bringing our debt down, we are conscious that the deadline for our current facility is approaching.

We have agreed with our primary lender, ANZ, that any negotiations around the extension of this facility would be futile with so much uncertainty around the outcome of the sale process. We have retained



the support of ANZ and will continue to work with them on ensuring the company has access to appropriate levels of debt to fund our growth ambitions.

## **Housing Review**

One final point I would like to touch on before handing over to David is some recent changes to our Housing business.

It has become increasingly apparent over the last 12 months that the structure of the housing industry has changed and we needed to change with it. The days of being all things to all people are now behind us and the prospect of generating the same sort of returns from housing in the future as we had in the past are relatively slim.

While we have tried applying some smaller and larger modifications to our business model and introduced new people into the business; we reached the conclusion that implementing significant, transformative change was the best option for the housing business.

With this in mind we announced in April that we would be re-positioning our housing operation with a greater focus on the delivery of medium density, integrated housing solutions. As part of the re-positioning Devine will no longer build stand-alone, detached homes.

The changes will allow us to continue building on the improved performance of housing seen throughout 2014.



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We have committed to completing our existing pipeline of detached housing starts, both under construction and those under contract, whereby no customers will be negatively impacted by the change.

Following the re-organisation Devine's operations will be separated into three divisions; Communities (including land development and integrated housing), Development (including apartments and mixed use projects) and Construction (primarily of residential apartment buildings).

In concluding, I would like to express my thanks to my fellow Directors, and the management and staff of Devine for their tireless efforts throughout the year. I would also like to acknowledge the support of our shareholders over recent years and reaffirm everybody at Devine's commitment to building a sustainable, growth orientated business.

I will now hand over to your Managing Director and CEO David Keir.

Peter Dransfield  
Chairman