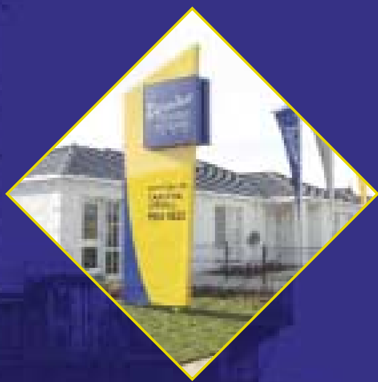
Annual Report 2001



Devine

LIMITED

Devine Limited's 316 unit, $123M River Place Project is scheduled for completion in April 2002.

Contents

Contents	Page No.
CHAIRMAN'S REPORT	4
MANAGING DIRECTOR'S REPORT	6
DIRECTORS' REPORT	8
STATEMENT OF FINANCIAL PERFORMANCE	15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF CASH FLOWS	17
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	18
DIRECTORS' DECLARATION	46
INDEPENDENT AUDIT REPORT	47
SHAREHOLDINGS	48
CORPORATE GOVERNANCE STATEMENT	50

ANNUAL GENERAL MEETING

The Annual General Meeting of Devine Limited will be held on 16 November 2001, commencing at 10:30am at the Stamford Plaza Hotel (formerly the Heritage Hotel), 39 Edward Street, Brisbane

FINANCIAL CALENDAR

Financial Year End	**30 June 2001**
Announcement of Full Year Results	**29 August 2001**
CPS Begin Trading Ex Dividend	**16 October 2001**
Books Close for CPS Dividend Entitlement	**22 October 2001**
Preference Share Dividend Paid	**1 November 2001**
Annual General Meeting	**16 November 2001**

Company Directory

DEVINE LIMITED
A.B.N. 51 010 769 365

Directors
K P Prior (Chairman)
D H T Devine (Managing Director)
P J Ferris AM
R W Parris
K M Woodley (Marketing Director)
D J Ridley

Company Secretary
V N Grayson

Registered Office
3 Westmoreland Boulevard
Springwood, Queensland 4127
Telephone: (07) 3380 2500

Solicitors
McCullough Robertson

Bankers
Australia and New Zealand Banking Group Limited

Auditors
Ernst & Young
Level 5, Waterfront Place
1 Eagle Street
Brisbane, Queensland 4000

Share Registrar
Computershare Registry Services Pty Ltd
Level 27, Central Plaza One
345 Queen Street
Brisbane, Queensland 4000

Devine LIMITED

DEVINE LIMITED

Devine is a major force in Australia's residential property market, offering affordable housing products in Queensland, New South Wales, Victoria and South Australia and is also active in the medium density market in Queensland.

Devine Limited was formed in 1993, when the founding Director, David Devine, listed the company on the Australian Stock Exchange with a market capitalisation of $65 million.

At that time, Devine's operations were contained solely to south-east Queensland and traditionally had been involved with the construction of detached houses.

Today, the company can demonstrate geographic and product diversification and operates in four States.

In 1996 the company set up a Unit and Townhouse Division in Queensland which has completed a number of medium density projects in Brisbane including the 514 unit Cathedral Place Project.

Following the success of these projects, construction commenced in November 2000 on the $123million, 316 unit River Place project on the Brisbane River, in the Brisbane CBD.

The project is sheduled to be completed in April 2002.

Marketing of the third major CBD development, River City, commenced in March 2001 and to date 95% of the 221 units have been sold.

A site has been secured and preliminary work is progressing on a fourth residential project in the Brisbane CBD.

In May 1997, Devine acquired the contract housing business of Pioneer Homes, giving the company a presence in New South Wales, Victoria and South Australia.

The Devine Group was ranked seventh in the list of the largest detached home builders in the most recent HIA Survey of Australia's Builders.

The company's in-house mortgage origination business, First Permanent Home Loans, continued to build on the loan volumes written since it started operating in November 2000. First Permanent has proved to be an important alternative source of mortgage funds for the company's customers.

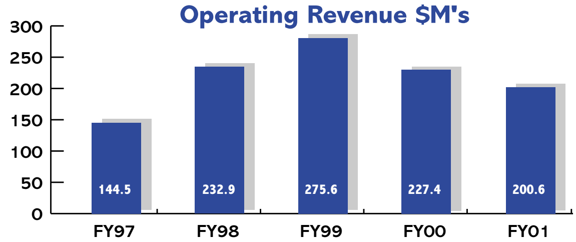
Financial Summary (Five Year Review)

$,000's	1997	1998	1999	2000	2001
Sales revenue	144,461	232,861	275,572	227,444	200,637
Earnings before interest & tax	13,000	18,245	15,284	5,247	8,991
Operating profit before tax (after abnormals)	11,162	14,388	12,575	2,206	1,189
Operating profit after tax	7,525	9,357	7,896	1,744	138
Minority interests	(906)	(291)	(143)	(92)	37
Operating profit after minorities	6,619	9,066	7,753	1,652	175
Dividends declared or provided for	4,431	6,201	5,755	1,121	1,038
Retained earnings	4,945	7,810	9,808	10,339	10,514
Total assets	90,111	138,788	112,575	114,354	126,683
Net assets/shareholders equity	31,786	49,928	52,147	50,309	42,265**
Net tangible assets	28,446	46,612	48,831	46,993	38,195**
Number of ordinary shares on issue ('000)	75,581	76,787	77,417	72,938	116,923
Number of preference shares on issue ('000)	0	1,500	1,500	1,500	853
Net tangible assets per ordinary share (cents) *	37.6	42.0	44.5	44.7	32.7**
Earnings per ordinary share (cents) *	9.2	10.8	8.6	0.7	0.2
Dividends per ordinary share (cents)					
Interim	3.0	3.0	4.0	NIL	NIL
Final	3.0	4.0	2.0	NIL	NIL
Total	6.0	7.0	6.0	NIL	NIL
Closing share price (cents)	89.0	58.0	70.0	19.0	21.0
Return on shareholders equity (%)	23.7	18.7	15.1	3.5	-
Dividend yield (%)	6.7	12.1	8.6	N/A	N/A
Price / earnings ratio (times)	9.7	5.4	8.1	27.1	105.0

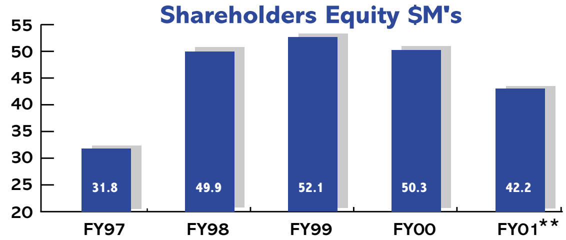
*Based on weighted average number of ordinary shares on issue.

**Reflects the reclassification of the share capital relating to the company's converting preference shares as debt rather than equity as required by accounting standard AASB 1033 effective from 1 July 2000.

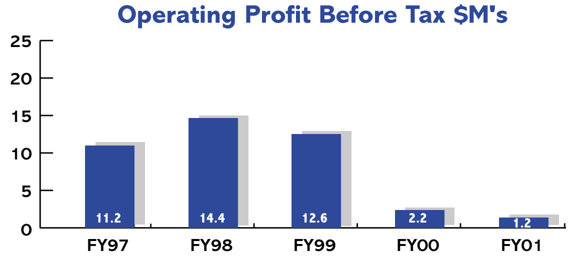
Operating Revenue $M's



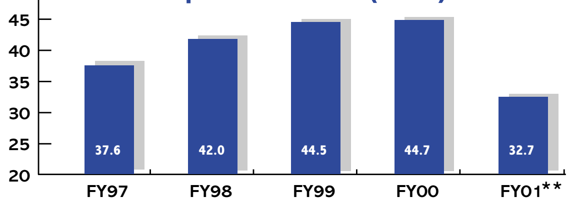
Shareholders Equity $M's



Operating Profit Before Tax $M's



Net Tangible Assets per Ord. Share (cents)



CHAIRMAN'S REPORT

Kerry Prior - Chairman

Devine Limited commenced public company life in 1993 as a builder of homes primarily for first home buyers in South East Queensland. In 1997 it extended those operations to Sydney, Melbourne and Adelaide through the purchase of Pioneer Homes and the expansion of that business.

At the same time, the company became a significant developer of medium density residential projects in Brisbane, particularly in and around the CBD area. More recently it has also been in the process of establishing a mortgage loan origination and securitisation business. As a result of these initiatives, the Devine Group now has geographic spread, product diversification and less reliance on external lenders to fund its customers. What has been lacking is earnings consistency and that problem has again plagued us in the financial year just ended.

Clearly the result for the year ended 30 June 2001 is not acceptable. A marginal profit on a turnover of $200 million is not a result the company would seek to defend.

The company's activities during the period under review were seriously affected by the introduction of the GST, interest rate rises during the first half of the year, a temporary inability of the company's traditional providers of mortgage funds to provide loans for our customers and, in our NSW market, the disruption caused by the Olympic games. All of those problems were fully reported in comments on the December 2000 half result.

I mention them not as a defence but as an explanation of the market in which the company operated during the year. Because of the quite long lead time from first identification of a homebuyer to a contract to completion of construction, some of these negative factors affected the whole of the year.

Most of the above problems are behind us, and the outlook for the company has improved considerably. At the time of preparation of this report all areas of the company's business are operating very satisfactorily.

Profits are being earned in all areas with the exception of the mortgage loan origination and securitisation business which is still in start-up mode. The backlog of work in the system is substantial and satisfactory margins are being achieved in all areas. The major apartment developments which the company has undertaken have been very successful and the projects under consideration look promising. The outlook for interest rates is also favourable.

The Managing Director's review will deal in some detail with these matters.

Of course a considerable amount of this activity has been fuelled by the Federal Government's First Home Owners Grant. The Government is yet to formally confirm a possible extension of the grant beyond 31 December 2001.

There has been a growing acceptance of the Devine Pioneer brand in recent times and the company is working on broadening its product range. Countering these factors is the subdued economic outlook and we must plan for the inevitable contraction in our markets. We are however confident that we will maintain an appropriate market share in a dampened market.

The conversion in October 2000 of 43% of the company's converting preference shares to ordinary shares was a considerable set back for the company in relation to its dilutionary impact on key share performance ratios. Our efforts to minimise this dilution were partially successful. As the material enclosed with the notice of annual general meeting indicates, the company is seeking shareholder approval to conduct a buy-back of its shares. The precise manner and timing of this will depend on the company's circumstances over the coming months.

Devine Limited operates in difficult and competitive markets in numerous locations over 4 states. There are many factors that create significant challenges to the company's management and employees in maintaining a company culture, delivering a product of which the company can be proud and ultimately producing acceptable returns to shareholders.

I thank the management and staff and my fellow directors for their splendid efforts in recent challenging times. As a result of those efforts we expect a much improved performance for the company in the year ahead.

K.P. Prior
Chairman

The new Devine Pioneer Homes brand and logo have been launched in all markets, giving the housing business a consistent identity throughout Australia.

MANAGING DIRECTOR'S REPORT

David Devine - Managing Director

The 2000/2001 year was a year of restructuring and rebuilding for Devine Limited. Against a backdrop of very difficult trading conditions in the housing industry, the company made significant advances in returning margins to pre GST levels, originating mortgage loans for its housing customers through the in-house First Permanent mortgage origination business and securing prime development sites for the unit and townhouse division.

Market conditions faced by the home building industry in FY01 were the most challenging seen in many years. The positive impact from a recent trending down in interest rates was offset by the significant negative impacts caused by the GST, the drop in consumer confidence and the disruption, particularly in New South Wales, caused by the Olympic Games.

As has been widely reported in the press, the post GST induced slump in new private housing approvals resulted in a fall of 35.2% in the year ended June 2001compared to the previous year. This fall saw total private house approvals of only 78,300 recorded in FY01.This figure compares with 120,834 approvals recorded in FY00 and represents a 25.5% fall on the average level of private housing approvals of 105,144 recorded over the last 10 years.

Revenues for the Group were down 12% on the previous year. A measure of the impact of the GST and other factors on the housing business was the fall in revenues for the Housing business of 26% over the year. This reduction in activity was further exacerbated with housing margins being eroded through the GST impost. In addition to the adverse impact of the GST on the housing business, the Olympic games in Sydney caused significant distortions in the availability of trades in NSW and the cost of labour and materials in the early part of the year.

As mentioned in my introduction, offsetting these negative factors were a number of positive initiatives achieved during the year. I am pleased to report that housing margins in all states are back to pre GST levels. This is a major accomplishment given the competitiveness of the housing market during the last twelve months. During the year the new "Devine Pioneer Homes" brand and logo were launched in all markets giving the housing business a consistent identity across all markets in which it operates.

Other initiatives taken were the rationalisation of the management structure of the Group to ensure that accountability for the Group's performance is clearly defined.

Actual view from Devine Limited's River Place Apartments

MANAGING DIRECTOR'S REPORT (continued)

A comprehensive strategic review of the Group's operations was carried out in the June 01 half and a clear strategy covering the next three years was put by management to the Board and the proposed strategy was subsequently endorsed by them.

Another important initiative taken during the year was to secure follow-up development sites to the very successful River Place development. Construction commenced on the 316 unit, $123M River Place project in November 2000 and completion is scheduled for April 2002.

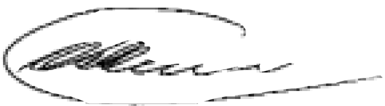
Given that this project is sold out, it was very important to ensure that follow up development sites were secured to ensure continuity of earnings flowed from the Unit & Townhouse Division. The River City development site in the Brisbane CBD was acquired in December 2000 and settlement took place in June 2001. Marketing of this 221 unit, $71M project commenced in March of this year and at the time of this report, 95% of the units had been sold.

Based on this level of sales, construction is scheduled to commence in the latter part of November or early December 2001.

Following extensive market research of the prospects for the Brisbane inner-city unit market, Devine contracted to purchase another CBD residential site in Brisbane. This is a prime site at North Quay adjacent to the Brisbane River and the Queen Street Mall. The contract to purchase the site for $20.3M was signed in July 2001. Currently the company is working with the Brisbane City Council to ensure that the design of the project is worthy of this landmark site and marketing will commence when the relevant approvals are in place.

Clearly, notwithstanding external factors mentioned above, the performance of the Group over the last two years has been disappointing for all shareholders. The events of recent weeks both here in Australia and overseas bring with them some degree of uncertainty as to consumer confidence levels and home buyer and investor buying patterns over the next few months. Countering this, is the prospect of a continuation of an increased first home buyers grant, a low interest rate environment and market forecasters remaining positive about the prospects for housing in the medium term in the markets in which Devine Pioneer operates.

Looking forward, I am confident that the initiatives achieved over the last year together with the clear strategic direction now in place, have positioned the company well for a much improved performance in financial year 2001/2002. I take this opportunity to thank the dedicated staff of Devine and to also acknowledge the important contribution made by the Devine Board and the company's loyal suppliers and sub contractors.



David H.T. Devine
Managing Director

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2001.

DIRECTORS

THE BOARD OF DIRECTORS

(left to right):
Rick Parris, Doug Ridley,
Ken Woodley (Marketing Director),
Viv Grayson (Company Secretary),
David Devine (Managing Director),
Kerry Prior (Chairman), Peter Ferris. AM

The names and details of the directors of the company in office at the date of this report are:

K P Prior, LL.B. (Chairman)

Kerry Prior is executive chairman and senior partner of McCullough Robertson, Lawyers. He practices in the commercial division of McCullough Robertson and has extensive experience in commercial and taxation law. Mr Prior is principal legal adviser to a large number of public and substantial private companies. He is a director of a number of companies and Chairman of the Sir Albert Sakzewski Foundation and Deputy Chairman of the Royal Children's Hospital Foundation.

D H T Devine, (Managing Director)

David Devine began his working career with a chemical company in Victoria, before joining Hortico Australia Limited in 1968 where he spent 12 years progressing through the company to manage the company's Queensland and later, its Western Australian operations. As a result of Hortico's management structure he gained wide experience in production, manufacturing, advertising, distribution, marketing and administration. In 1980 he left Hortico and acquired his own business in aluminium boat manufacturing. He entered into property development in 1983, setting up the predecessor entity to Devine Limited.

P J Ferris, AM, B.A. (Hons Economics), FAIM, FMAICD

Peter Ferris is a former senior partner and National Director of Corporate Finance of Ernst & Young and is now a consultant to that firm. He is on the board of a number of organisations including Australian Technology Group Limited, Marsh Australia Pty Ltd (Australian Advisory Board), Sisters of Charity Services Limited (Deputy Chairman), Sisters of Charity Foundation Limited (Chairman) and a trustee of St Vincent's Hospital Sydney and Catholic Health Care Services (NSW & ACT). He is a former director of Austereo Limited, Hanimex Corporation Limited, the Defence Housing Authority and South Eastern Sydney Area Health Service.

R W Parris, FAIM, FAICD

Rick Parris is a Quantity Surveyor who was Queensland Regional Director for Civil & Civic and the Lend Lease Property Group for 20 years until 1994. He is non-executive Chairman of consulting engineering group Robert Bird & Partners and material handlers Lindores Cranes and Rigging, Queensland Government appointed Administrator for the Queensland Dairy Authority and the Queensland Abattoir Corporation, director of funds syndicator Investment Management Australia Ltd and director of several private property companies. He is an Honorary Ambassador for the City of Brisbane.

K M Woodley, (Marketing Director)

Ken Woodley worked in an accounting practice prior to moving into management of a building construction company for nine years, the last four years as managing director. Arriving in Australia in 1982, he worked for Peter Kurts Group prior to setting up Stewarts Real Estate in partnership with another real estate agent. During this time at Stewarts he marketed several Devine Group developments and in 1985 joined Devine Group to head the marketing division.

D J Ridley

Doug Ridley is a former Senior Executive of AVJennings having been with that company for 34 years, 6 years of which as Chief Executive Officer. Mr Ridley has extensive experience in the Housing Industry and since leaving AVJennings, his company has provided consulting services to a number of companies allied to the industry. He is currently a Director of Bradman Corporation Pty Ltd and First Permanent Financial Services Pty Ltd.


River City Apartments
River Place Apartments

DIRECTORS' REPORT (continued)

Interests in the shares of the company and related bodies corporate

As at the date of this report the interests of the directors in the shares of the company and related bodies corporate were:

	Devine Limited 1 cent Ordinary Shares	Devine Limited 8.5% Converting-Preference Shares	Devine Limited Options Over Ordinary Shares
K P Prior	222,996	2,000	-
D H T Devine	26,250,500	-	625,000
P J Ferris	126,638	4,968	-
R W Parris	65,000	-	-
K M Woodley	9,572,351	-	350,000
D J Ridley	100,000	-	-

Interests in contracts or proposed contracts with the company

No directors have an interest in contracts or proposed contracts with the company except as otherwise disclosed in this report or in the financial statements.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

* residential property development

* residential construction

* real estate marketing

* medium density residential development

* loan origination and securitisation

EMPLOYEES

The consolidated entity employed 209 employees as at 30 June 2001 (2000: 164 employees).

DIRECTORS' REPORT (continued)

OPERATING RESULTS AND DIVIDENDS

Operating results for the year ended 30 June 2001	2001 $'000	2000 $'000
Consolidated operating profit after tax	138	1,744
Less: Outside equity Interest in operating profit after tax	37	(92)
Consolidated operating profit after tax and outside equity interest	175	1,652
Dividends Paid or Declared for payment are as follows:		
Previous year final dividend paid	-	1,516
Converting preference shares dividend paid 1 November 2000	562	375
Converting preference shares dividend paid 1 May 2001	360	558
Converting preference shares dividend accrued 30 June 2001	116	188
The Converting Preference Shares have been disclosed in accordance with AASB 1033 Financial Instruments as debt. Therefore, the payment of 85 cents per share on these preference shares has been disclosed as interest expense.		
Net Tangible Assets	**2001**	**2000**
Basic net tangible assets per share	32.7cents	44.7cents
Diluted net tangible assets per share	23.9cents	19.7cents
Earnings per share		
Basic earnings per share	0.2cents	0.7cents
Diluted earnings per share	0.2cents	0.3cents

REVIEW OF OPERATIONS

The review of operations of the consolidated entity is covered in the Managing Director's Review on page 6.

DIRECTORS' REPORT (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the company.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Devine Limited has entered into a contract to purchase a prime residential development site in the Brisbane CBD for a consideration of $20.3 million. Work is well advanced on finalising the plans for the site and securing the necessary regulatory approvals to allow commencement of marketing of the project.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments and expected results are covered in the Managing Director's Review on pages 6 and 7.

In the opinion of the Directors, further information including expected future results, would prejudice the interests of the consolidated entity.

SHARE OPTIONS

No options were granted over unissued shares in Devine Limited during or since the end of the year to any Director or any of the executive officers of the company. During the year 350,000 options, which had been issued in a prior period, lapsed.

DIRECTORS' BENEFITS

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

DIRECTORS' REPORT (continued)

Emoluments of the Directors of Devine Limited

	Annual Emoluments			Long Term Emoluments	
	Base Fee	Bonus	Other	Termination & Similar Payments	Superannuation
	$	$	$	$	$
K P Prior	75,000	-	-	-	6,000
D H T Devine	300,000	-	-	-	24,000
P J Ferris	40,000	-	7,200	-	3,200
R W Parris	40,000	-	45,720	-	3,200
K M Woodley	215,000	-	58,632	-	17,200
D J Ridley	40,000	-	30,240	-	3,200

Emoluments of the five most highly paid executive officers of the company and the consolidated entity

	Annual Emoluments			Long Term Emoluments	
	Base Fee	Bonus	Other	Termination & Similar Payments	Superannuation
	$	$	$	$	$
C Fusco	112,989	148,900	30,950	-	7,909
B Ritchie	125,020	111,010	21,569	-	8,751
M Pierce	216,507	-	69,720	-	15,156
J White	186,916	-	18,077	-	13,084
J Shapcott	179,587	-	70,413	-	51,680

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

The category 'Other' includes the value of any non-cash benefits provided.

OPTIONS GRANTED TO DIRECTORS AND ANY OF THE FIVE MOST HIGHLY PAID OFFICERS

No options were granted over unissued shares in Devine Limited during or since the end of the year to any Director or any of the 5 most highly remunerated officers of the company as part of their remuneration.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Insurance and indemnity arrangements existing in the previous year concerning officers of the Group were renewed or continued. The constitution of Devine Limited provides an indemnity (to the maximum permitted by law) in favour of each director, secretary and executive officer. The indemnity is against any liability incurred by that person in their capacity as a director, secretary or executive officer to another person (other than Devine or a related body corporate) unless the liability arises out of conduct involving a lack of good faith. The indemnity includes costs and expenses incurred by an officer in successfully defending that person's position. The Group has paid a premium regarding a contract insuring each Devine director and each full-time executive, director and secretary of the Group against certain liabilities incurred in those capacities, to the extent permitted by law. Disclosure of premiums and coverage is prohibited by the contract of insurance.

DIRECTORS' REPORT (continued)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of the directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	No. of Meetings held while in office	Meetings attended	No. of Meetings held while in office	Meetings attended	No. of Meetings held while in office	Meetings attended
K P Prior	13	13	-	-	2	2
D H T Devine	13	13	-	-	-	-
P J Ferris	13	13	4	4	2	2
R W Parris	13	12	4	4	-	-
K M Woodley	13	12	-	-	-	-
D J Ridley	13	12	4	4	-	-

As at the date of this report, the company had an audit committee and a remuneration committee of the Board of Directors.

The members of the Audit Committee are Mr P J Ferris, Mr R W Parris and Mr D J Ridley. The members of the Remuneration Committee are Mr K P Prior and Mr P J Ferris.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded off under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Devine Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

Signed in accordance with a resolution of the directors of Devine Limited.

K P Prior
Chairman

D H T Devine
Managing Director

Brisbane, 26 September 2001

STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
Revenues from ordinary activities	2	200,637	227,444	16,757	48,430
Expenses from ordinary activities, excluding borrowing costs expense	3(a)	191,646	222,170	20,390	35,224
Borrowing costs expense	3(c)	7,802	3,068	2,332	2,489
Profit (loss) from ordinary activities before income tax expense		1,189	2,206	(5,965)	10,717
Income tax expense relating to ordinary activities	4	(1,051)	(462)	1,786	(1,167)
Profit (loss) from ordinary activities after related income tax expense		138	1,744	(4,179)	9,550
Net profit (loss) attributable to outside equity interests	24	(37)	92	-	-
Net profit (loss) attributable to members of Devine Limited	22(b)	175	1,652	(4,179)	9,550
Basic earning per share (cents per share)		0.2	0.7		
Diluted earnings per share (cents per share)		0.2	0.3		
Franked dividends per share (cents per share)		-	-		

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
CURRENT ASSETS					
Cash assets		3,745	-	-	-
Receivables	6	10,678	25,751	32,055	50,498
Inventories	7	69,790	29,773	11,908	11,283
Property	8	5,372	6,709	5,372	5,546
Other assets	9	10,772	4,068	179	363
TOTAL CURRENT ASSETS		**100,357**	**66,301**	**49,514**	**67,690**
NON-CURRENT ASSETS					
Receivables	10	874	75	799	-
Investments	11	-	-	5,112	5,112
Inventories	12	14,388	32,347	8,781	13,738
Property, plant & equipment	13	5,929	6,233	1,002	1,232
Deferred tax assets	4	1,065	3,109	2,159	527
Intangible assets	14	4,070	3,316	3,316	3,316
Other assets	15	-	2,973	-	-
TOTAL NON-CURRENT ASSETS		**26,326**	**48,053**	**21,169**	**23,925**
TOTAL ASSETS		**126,683**	**114,354**	**70,683**	**91,615**
CURRENT LIABILITIES					
Payables	16	25,192	16,082	3,604	2,615
Interest bearing liabilities	17	39,565	26,065	17,867	27,807
Current tax liabilities		64	2,249	64	1,146
Provisions	18	4,221	4,062	830	874
TOTAL CURRENT LIABILITIES		**69,042**	**48,458**	**22,365**	**32,442**
NON-CURRENT LIABILITIES					
Interest bearing liabilities	19	14,429	13,837	8,182	6,637
Deferred tax liabilities		833	1,634	18	57
Provisions	20	114	116	-	-
TOTAL NON-CURRENT LIABILITIES		**15,376**	**15,587**	**8,200**	**6,694**
TOTAL LIABILITIES		**84,418**	**64,045**	**30,565**	**39,136**
NET ASSETS		**42,265**	**50,309**	**40,118**	**52,479**
SHAREHOLDERS' EQUITY					
Contributed equity	21	31,788	39,970	31,788	39,970
Reserves	22	-	-	3,316	3,316
Retained profits	22	10,514	10,339	5,014	9,193
Shareholders equity attributable to members of Devine Limited		42,302	50,309	40,118	52,479
Outside equity interest in controlled entities - accumulated losses	24	(37)	-	-	-
TOTAL SHAREHOLDERS' EQUITY		**42,265**	**50,309**	**40,118**	**52,479**

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2001

	Notes	CONSOLIDATED		DEVINE LIMITED	
		2001 $'000	2000 $'000	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		227,318	216,264	28,223	8,248
Payments to suppliers and employees		(205,545)	(215,234)	(10,542)	(26,906)
Goods and services tax paid		(11,929)	-	-	-
Dividend received		-	-	-	8,000
Interest received		351	311	52	182
Borrowing costs paid		(8,738)	(3,041)	(2,642)	(2,468)
Income tax paid		(2,504)	(7,869)	(966)	(302)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	23(b)	**(1,047)**	**(9,569)**	**14,125**	**(13,246)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(503)	(389)	(159)	(243)
Proceeds from sale of property, plant and equipment		963	88	4	45
Acquisition of controlled entity	23(f)	(754)	-	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(294)**	**(301)**	**(155)**	**(198)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Acquisition of shares under share buy-back		-	(2,378)	-	(2,378)
Loans to related parties		-	-	12,030	(43,133)
Borrowings - other		19,003	16,878	-	11,230
Repayment of borrowings - other		(12,666)	(4,095)	(27,597)	(4,094)
Finance lease principal repayments		(97)	(154)	(114)	(114)
Dividends paid	5	-	(2,673)	-	(2,673)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**6,240**	**7,578**	**(15,681)**	**(41,162)**
NET INCREASE/(DECREASE) IN CASH HELD		**4,899**	**(2,292)**	**(1,711)**	**(54,606)**
Add opening cash brought forward		(1,154)	1,138	(3,824)	50,782
CLOSING CASH CARRIED FORWARD	23(a)	**3,745**	**(1,154)**	**(5,535)**	**(3,824)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention, except for land held for sale and investments in controlled entities, measured at fair value.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The accounting policies adopted are consistent with those of the previous year with the exception of AASB 1010 and AASB 1041. The consolidated entity has adopted Accounting Standards AASB 1041 "Revaluation of Non Current Assets" and revised AASB 1010 "Recoverable Amount of Non-Current Assets". Under the transitional provisions the directors have made the following elections:

* Buildings, plant and equipment and display homes are to continue being carried at original cost
* Brand names, previously measured at revalued amounts, will be carried at the revalued cost, being the carrying value of these assets at the beginning of the period.

Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Devine Limited (the parent entity) and all entities that Devine Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Income Recognition

Property Revenue:

Revenue from sale of developed land is recognised on unconditional contract.

Construction contracts:

Profit on construction contracts is brought to account on the percentage of completion basis where it can be reliably estimated. In respect of individual housing contracts, the entity has changed the accounting estimate in relation to recognition of the percentage complete to determine percentage complete based on actual costs incurred as a percentage of total forecast costs. Previously the calculation was based on the number of days production achieved compared to total days in the buiding program. The directors believe this gives a more accurate measure of percentage complete for reporting purposes. The effect of the change in accounting estimate has been to increase consolidated profits by $446,000. The change in estimate was adopted on 1 July 2000 and applied consistently throughout the period. Where losses are foreseeable, such losses are provided for in full. Measurement of the percentage complete is based on information provided by independent consultants on large multi-unit construction projects.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and money market investments readily converting to cash within 2 working days, net of outstanding bank overdrafts.

Retention funds held on deposit, which are subject to charges by agreement with financial institutions and which are available to meet costs associated with a loss on resale resulting from the buyer defaulting on their mortgage and repossessions, are classified within other assets. Retention funds have been classified within current assets to the extent the consolidated entity has provided as a current liability for future costs of repossessions. The balance of retention funds have been classified within non-current assets.

NOTES (continued)
30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Development work in progress:

Development land, including acquisition costs of the land, together with associated development costs, is valued at the lower of cost and net realisable value. Interest and other holding costs incurred directly in relation to land are only capitalised for land which is to be held for a period in excess of three years before development commences. No further interest is capitalised once development commences.

Construction work in progress:

Construction work in progress is stated at cost plus profit recognised to date less progress billings. Cost includes all costs directly related to specific contracts.

Expenditure carried forward

Significant items of expenditure, including marketing expenditure, are carried forward provided it is probable that future consolidated benefits attributable to the expenditure will be realised. Expenditure carried forward is expensed over the lesser of the period in which the related benefits are expected to be realised and three years.

Investments

Long-term investments (including investment properties not principally occupied by consolidated entity companies) are stated at cost or valuation. There is no policy for regular valuations of investments and accordingly the directors have elected under the transitional provisions of Accounting Standards AASB 1041 "Revaluation of Non Current Assets" and revised AASB 1010 "Recoverable Amount of Non-Current Assets" to establish the revalued amounts as the cost. The impact of capital gains tax is not taken into account.

Leases

Finance leases, which effectively transfer to the consolidated entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the consolidated entity is expected to benefit from the use of the leased assets.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

Recoverable amount

Non-current assets are not revalued to an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

NOTES (continued)
30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Cost:

Property, plant and equipment are carried at the lower of cost and recoverable amount.

Depreciation:

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land, at rates calculated to allocate the cost, less estimated residual value at the end of the useful life of the assets, against revenue over those estimated useful lives.

Major depreciation periods for the years ended 30 June 2001 and 30 June 2000 are:

Buildings	40 years
Plant and equipment	2 to 10 years

Display homes:

Where display homes are classified as non-current assets they are depreciated on a straight line basis over the shorter of 5 years or the expected useful life so as to allocate their cost against revenue over that period.

Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlement expenses and revenue arising in respect of the following categories:

* wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
* other types of employee entitlements;

are charged against profits on a net basis in their respective categories.

The contribution made to superannuation funds are charged against profits when due.

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Brand Names

Brand names owned by the consolidated entity are carried at Directors' valuation. No amortisation has been charged in respect of brand names, as the directors do not believe that they have a limited useful life.

The Directors are of the view that the residual value of the brand name to the company is greater than the carrying value and that therefore no depreciable value exists. In addition, the Directors believe that the useful life of the "Devine" brand has been significantly extended since the date of the last valuation. Further, if the Directors' assumptions did not hold true, any depreciable amount would, in any event, not be material.

NOTES (continued)
30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liabilities are determined in accordance with the requirements of AASB 1008 "Leases". Redeemable Preference Shares that exhibit characteristics of liabilities are recognised as liabilities in the balance sheet. The corresponding dividends are charged as an interest expense in the Statement of Financial Performance.

Goods and services tax

Goods and services tax for the purpose of the cashflow, has been included as follows:

* Goods and services tax received from customers is included in receipts from customers.
* Goods and services tax paid on supplies and acquisition of plant and equipment is included in payment to suppliers and employees.

Earnings per Share

Basic earnings per share is determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the operating profit after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

Comparatives

The application of the current standards applicable for financial periods ended 30 June 2001 being AASB 1018 Statement of Financial Performance, AASB 1040 Statement of Financial Position and AASB 1034 Financial Report Presentation does not require the disclosure of comparatives where these comparatives were not previously required. The Directors believe the disclosure of comparative information is important and accordingly have provided disclosures for all revised standards and where applicable have restated comparatives to support these disclosures.

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenue from operating activities					
Revenue from sale of properties		199,228	226,822	16,689	30,277
Revenue from loan origination & securitisation		886	-	-	-
Total revenues from operating activities		200,114	226,822	16,689	30,277
Revenues from non-operating activities					
Interest received - other persons/bodies corporate		351	311	52	182
Dividends received - wholly owned entities		-	-	-	8,000
Rent received - wholly owned entities		-	-	-	71
Management fees - wholly owned entities		-	-	-	9,386
Trust distribution from partly owned controlled entity		-	-	-	319
Proceeds on sale of non-current assets		34	88	4	45
Sundry income		138	223	12	150
Total revenues from outside the operating activities		523	622	68	18,153
Total revenues from ordinary activities		**200,637**	**227,444**	**16,757**	**48,430**
3. EXPENSES & LOSSES					
(a) Expenses					
Cost of properties sold		147,354	175,527	11,641	22,383
Write down of land stocks & other inventory		4,679	-	-	-
Marketing expenses		23,150	28,273	2,513	3,903
Occupancy expenses		1,034	889	358	292
Employee expenses		10,558	11,532	2,924	3,401
Administration expenses		4,253	4,856	1,347	1,897
Other expenses from ordinary activities		618	1,093	1,597	3,348
Total expenses from ordinary activities		**191,646**	**222,170**	**20,380**	**35,224**
(b) Significant Items					
Profit from ordinary activities before income tax expense includes the following expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Recognised losses on construction of pre-acquisition Pioneer medium density projects		-	917	-	-
Reduction in forecast profit on Cathedral Place Development		-	1,097	-	-
Write down of land stocks & other inventory		4,679	-	-	-
(c) Borrowing costs expense					
Interest & other borrowing expenses - other persons/bodies corporate		6,938	3,041	1,471	2,471
Finance charges - lease liability		13	27	10	18
Converting preference shares		851	-	851	-
		7,802	3,068	2,332	2,489

Converting Preference Share dividends of $851,031 (2000: $1,121,000) have been included as an interest expense in the Statement of Financial Performance. This disclosure is due to the reclassification of Converting Preference Shares as debt in accordance with AASB 1033 Financial Instruments.

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
3. EXPENSES & LOSSES (continued)					
(d) Depreciation and amortisation					
Amortisation of non-current assets					
Plant and equipment under lease	13(b)	69	120	69	120
Depreciation of non-current assets					
Plant and equipment	13(b)	580	744	370	290
Display home centres	13(b)	922	508	77	-
		1,502	1,252	447	290
Depreciation of current assets					
Buildings	13(b)	177	177	177	177
Net loss on disposal of property, plant & equipment		21	10	24	18
(e) Operating lease rental					
Rental		565	1,388	182	342
4. INCOME TAX					
The prima facie income tax attributable to operating profit (loss) differs from the income tax provided in the financial statements as follows:					
Operating profit (loss) before income tax		1,189	2,206	(5,955)	10,717
Prima facie tax @ 34% (2000: 36%)		404	794	(2,025)	3,858
Tax effect of permanent differences:					
Depreciation of buildings		-	(144)	-	-
Rebateable dividends		-	-	-	(2,880)
Non-deductible establishment and legal costs of subsidiary		217	-	-	-
Net Losses in Devine Property Trust not recognised as a Future Income Tax Benefit		354	-	-	-
Tax rate adjustment to FITB and PDIT		66	-	322	-
Other Items (net)		109	233	116	189
Under / (Over) provision of previous year		(99)	(421)	(199)	-
Income tax expense attributable to operating profit		1,051	462	(1,786)	1,167
Deferred tax assets and liabilities					
Future income tax benefit		1,065	3,109	2,159	527
Deferred tax liabilities		833	1,634	18	57

(a) There are no recognised or unrecognised future tax benefits related to carrying forward tax losses.

(b) The future income tax benefit will only be obtained if:

i. Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.

ii. The conditions for deductability imposed by tax legislation continue to be complied with; and

iii. No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
5. DIVIDENDS PAID OR PROVIDED FOR DURING THE YEAR					
Ordinary Shares:					
Dividends paid					
- interim dividend (fully franked)		-	-	-	-
Dividends provided for					
- final dividend (fully franked)		-	-	-	-
		-	-	-	-
Converting preference shares dividends of $851,031 (2000: $1,121,000) have been included as an interest expense in the Statement of Financial Performance. The rate at which dividends have been franked is 34% (2000: 36%). Dividends proposed will be franked at a rate of 30% (2000: 34%)					
Dividends paid during the year as set out above differ to the cash payments shown in the statement of cash flows as follows:					
* Previous year final dividend		-	1,548	-	1,548
* Interim dividend paid		-	-	-	-
* Converting preference dividend paid		922	1,125	922	1,125
Dividends paid in cash		922	2,673	922	2,673
The tax rate at which dividends have or will be franked is 34% (2000 : 36%)					
The amount of franking credits available for the subsequent financial year are:					
* franking account balance as at the end of the financial year		16,882	12,944	7,445	6,492
* franking credits that will arise from the payment of income tax payable at the end of the financial year		-	1,921	-	209
* franking debits that will arise from the payment of dividends as at the end of the financial year		-	(64)	-	(64)
		16,882	14,801	7,445	6,637

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
6. RECEIVABLES - CURRENT					
Trade debtors		9,462	25,705	53	16,366
Provision for doubtful debts		(137)	(257)	(80)	(200)
		9,325	25,448	(27)	16,166
Amounts other than trade debtors from related parties:					
- wholly owned group		-	-	27,097	29,836
- controlled entities (partly owned)		-	-	4,812	4,467
Other debtors		91	72	83	25
Deposits		1,262	231	90	4
		10,678	25,751	32,055	50,498
Movement in provision for doubtful debts					
- balance at beginning of year		(257)	(134)	(200)	-
- bad and doubtful debts provided for during the year		-	(200)	120	(200)
- bad and doubtful debts (recovered)/written off		120	77	-	-
- balance at year end		(137)	(257)	(80)	(200)
7. INVENTORIES - CURRENT					
Land held for sale at cost					
Cost of acquisition		12,300	10,940	7,637	5,406
Development costs capitalised		7,483	6,660	4,094	2,897
		19,783	17,600	11,731	8,303
Land held for sale at valuation		-	3,375	-	-
Work in progress - cost		49,882	5,751	177	1,729
Display homes - cost		125	3,047	-	1,251
Total inventories at lower of cost and net realisable value		69,790	29,773	11,908	11,283
Included in work in progress at cost are capitalised borrowing costs of $1,316,338 (2000: $468,180)					
8. PROPERTY - CURRENT					
Property held for sale:					
Freehold land - cost		1,274	1,274	1,274	1,274
Buildings on freehold land - cost		4,884	6,043	4,884	4,880
Less: accumulated depreciation		(786)	(608)	(786)	(608)
		4,098	5,435	4,098	4,272
Total written down value of property held for sale		5,372	6,709	5,372	5,546
9. OTHER ASSETS - CURRENT					
Expenditure carried forward		4,236	1,646	-	79
Prepayments		459	635	179	284
Retention funds		6,077	1,787	-	-
		10,772	4,068	179	363

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
10. RECEIVABLES - NON-CURRENT					
Other debtors		874	75	799	-
11. INVESTMENTS - NON-CURRENT					
Investments in controlled entities	11(a)	-	-	5,281	5,281
Provision for diminution in value		-	-	(169)	(169)
		-	-	5,112	5,112

Investment in controlled entities comprises:

NAME	Notes	BENEFICIAL PERCENTAGE HELD BY CONSOLIDATED ENTITY 2001 %	BENEFICIAL PERCENTAGE HELD BY CONSOLIDATED ENTITY 2000 %	2001 $'000	2000 $'000
Devine Constructions Pty Ltd	*	100	100	727	727
First Permanent Financial Services Pty Ltd	*	100	100	286	286
(formerly First Permanent Home Loans Pty Ltd)					
First Permanent Securities Pty Ltd	*	100	100	-	-
Talcliff Pty Ltd	*	100	100	4,268	4,268
DMB Pty Ltd	*	100	100	-	-
Devine Civil Contracting Pty Ltd	*	100	100	-	-
Pioneer Homes Australia Pty Ltd	*	100	100	-	-
Cathedral Place Developments Pty Ltd	*	100	100	-	-
River Place Developments Pty Ltd (formerly Devine Cathedral Place Pty Ltd and River City Apartments Pty Ltd)	*	100	100	-	-
Devine Corporation Pty Ltd	11(b)	-	-	-	-
The Devine Properties Trust	11(b)	-	-	-	-
Amalgamated Mortgage Management Holdings Pty Ltd		50	-	-	-
Pineridge Holdings Pty Ltd	11(c)	78	78	-	-
Pineridge Unit Trust	11(c)	78	78	-	-
Pineridge 1994 Pty Ltd	11(d)	56	56	-	-
Pineridge 1994 Unit Trust	11(d)	56	56	-	-
				5,281	5,281

All of the above entities are incorporated in Australia.

*Pursuant to Class Order 98/1418, relief has been granted to the controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports, with the exception of Amalgamated Mortgage Management Pty Ltd.

As a condition of the Class Order, Devine Limited and the controlled entities subject to the Class Order as indicated above, (the "Closed Group") entered into a Deed of Cross Guarantee on 26 May 1998. The effect of the deed is that Devine Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	2000 $'000
11. INVESTMENTS - NON-CURRENT (continued)			
Investments in controlled entities			
The consolidated Statement of Financial Performance and Statement of Financial Position of the entities which are members of the "Closed Group" are as follows:			
Consolidated Statement of Financial Performance			
Revenues from ordinary activities		199,848	225,984
Expenses from ordinary activities excluding borrowing costs		(188,472)	(220,845)
Borrowing costs expense		(7,802)	(3,068)
Profit from ordinary activities before income tax expense		3,574	2,071
Income tax relating to ordinary activities		(1,263)	(561)
Net profit from activities after related tax expense		2,311	1,510
Retained profits at the beginning of the financial year		10,623	10,234
Dividends provided for or paid		-	(1,121)
Retained profits at the end of the financial year		**12,934**	**10,623**
Consolidated Statement of Financial Position			
Current assets			
Cash		3,643	-
Receivables		10,620	25,750
Inventories		68,076	29,722
Property, Plant & Equipment		5,372	6,709
Other assets		10,772	4,068
Total current assets		**98,483**	**66,249**
Non-current assets			
Receivables		874	4,327
Inventories		11,108	28,740
Property, plant and equipment		5,881	6,233
Intangible assets		4,070	3,316
Other assets		822	6,051
Total non-current assets		**22,775**	**48,667**
Total assets		**121,238**	**114,916**
Current liabilities			
Payables		25,081	15,900
Borrowings		31,730	26,457
Provision		4,329	6,379
Total current liabilities		**61,140**	**48,736**
Non-current liabilities			
Borrowings		14,429	13,837
Provisions		947	1,750
Total non-current liabilities		**15,376**	**15,587**
Total liabilities		**76,516**	**64,323**
Net assets		**44,722**	**50,593**
Shareholders' equity			
Contributed equity		31,788	39,970
Reserves		-	-
Retained profits		12,934	10,623
Total equity		**44,722**	**50,593**

NOTES (continued)
30 JUNE 2001

11. INVESTMENTS - NON-CURRENT (continued)

(a) Carrying value of investments in controlled entities was re-valued by the Directors at 30 June 1998 to take account of the net realisable value for each controlled entity. Under the current transitional provisions of Accounting Standards AASB 1041 "Revaluation of Non Current Assets" and revised AASB 1010 "Recoverable Amount of Non-Current Assets" the directors have established the revalued amounts as the new cost.

(b) Devine Corporation Pty Ltd is the trustee of The Devine Properties Trust. The consolidated entity has no ownership interest in Devine Corporation Pty Ltd or The Devine Properties Trust, however both entities are considered to be controlled entities of Devine Limited because:

* The articles of association of Devine Corporation Pty Ltd provide that only persons approved by Devine Limited may be nominated for appointment to the board of Devine Corporation Pty Ltd.

* The directors of Devine Limited constitute the board of the trustee, Devine Corporation Pty Ltd.

* The trust deed empowers Devine Limited to remove the trustee from office and replace it with another trustee of Devine Limited's choice.

* Devine Limited has received an irrevocable offer to acquire all the shares in Devine Corporation Pty Ltd for a nominal consideration. This offer is open for acceptance for ten years commencing 1993.

* Devine Limited is an eligible beneficiary of The Devine Properties Trust entitling it to receive income and capital distributions.

(c) Devine Limited's investments in Pineridge Holdings Pty Ltd and Pineridge Unit Trust are $50 each.

(d) Devine Limited's investments in Pineridge 1994 Pty Ltd and Pineridge 1994 Unit Trust are $1 each.

	Notes	CONSOLIDATED		DEVINE LIMITED	
		2001 $'000	2000 $'000	2001 $'000	2000 $'000
12. INVENTORIES - NON-CURRENT					
Land on hand					
Cost of acquisition		7,839	20,993	4,750	9,465
Development costs capitalised		4,221	11,354	1,703	4,273
Work in progress		2,328	-	2,328	-
		14,388	32,347	8,781	13,738

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
13. PROPERTY, PLANT & EQUIPMENT					
Display homes	13(a)	6,904	5,188	-	-
Less: accumulated depreciation		(2,195)	(1,099)	-	-
		4,709	4,089	-	-
Plant and equipment - cost		3,204	4,012	1,804	1,686
Less: accumulated depreciation		(2,171)	(2,047)	(989)	(633)
		1,033	1,965	815	1,053
Plant and equipment - leased		339	311	339	311
Less: accumulated amortisation		(152)	(132)	(152)	(132)
		187	179	187	179
Total property, plant and equipment - cost		10,447	9,511	2,143	1,997
Less: accumulated depreciation and amortisation		(4,518)	(3,278)	(1,141)	(765)
Total written down amount		5,929	6,233	1,002	1,232

(a) Display homes have been valued at existing carrying value by the directors. If the properties were sold at balance date at the valuation amount, no capital gains tax would be payable. The consolidated entity has a set policy for regular valuation of display homes at least once every three years to support carrying values. Display homes have been valued as at 30 June 2001 on an open market basis, being the amount for which the assets would be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction. An independent valuation was prepared by Herron Todd White Valuers on 2 August 2001 and the carrying amounts, being the written down cost, reflect this value.

(b) Asset Reconciliation

Reconciliation's of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year.

		CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
Display homes					
Carrying amount at beginning		4,089	4,826	-	-
Additions		161	97	-	-
Disposals		(28)	-	-	-
Depreciation expense		(922)	(508)	-	-
Transfer (to)/from work in progress		1,409	(326)	-	-
		4,709	4,089	-	-
Plant and equipment - cost					
Carrying amount at beginning		1,965	1,843	1,053	886
Additions		342	293	159	245
Disposals		(56)	(65)	(27)	(38)
Additions through entities		(638)	638	-	250
Depreciation expense		(580)	(744)	(370)	(290)
		1,033	1,965	815	1,053
Plant and equipment - Leased					
Carrying amount at beginning		179	430	179	430
Additions		77	-	77	-
Disposals		-	(131)	-	(131)
Amortisation expense		(69)	(120)	(69)	(120)
		187	179	187	179

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
14. INTANGIBLE ASSETS					
Goodwill		754	-	-	-
Brand name - directors' valuation, September 2000		3,316	3,316	3,316	3,316
		4,070	3,316	3,316	3,316

Brand names were valued by KPMG Peat Marwick Corporate (Qld) Pty Ltd on1 September 2000, using the value-in-use basis of valuation. This basis represents the value of an asset deployed in a going concern business, assuming continuation of existing patterns of use. KPMG Peat Marwick Corporate (Qld) Pty Ltd is a specialist corporate advisory firm and is a member of KPMG Peat Marwick. It was their opinion that the value of the brand name was in the range of $3.7 million to $4.0 million.

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
15. OTHER ASSETS - NON-CURRENT					
Retention funds		-	2,973	-	-
16. PAYABLES - CURRENT					
Trade creditors		23,306	14,218	2,224	1,146
Sundry creditors		1,886	1,864	1,380	1,469
		25,192	16,082	3,604	2,615
17. INTEREST-BEARING LIABILITIES - CURRENT					
Secured					
Bank overdraft		-	1,154	5,535	3,824
Bank loans		39,319	24,847	12,153	23,919
Lease liability		179	64	179	64
		39,498	26,065	17,867	27,807
Unsecured Other related parties		67	-	-	-
		39,565	26,065	17,867	27,807

Bank loans and bank overdraft are secured by mortgages over the consolidated entity's land and buildings and development land.

The lease liability is secured by a charge over the leased assets.

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
18. PROVISIONS - CURRENT					
Dividends - Converting Preference Shares		116	188	116	188
Employee entitlements		1,065	1,006	469	486
Provision for repossessions		2,019	1,787	-	-
Provision for rental guarantee		573	627	71	-
Other		448	454	174	200
		4,221	4,062	830	874

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
19. INTEREST-BEARING LIABILITIES - NON CURRENT					
Secured					
Bank loans		6,247	13,716	-	6,516
Lease liability		-	121	-	121
Converting Preference Shares		8,182	-	8,182	-
		14,429	13,837	8,182	6,637

Bank loans are secured by mortgages over the consolidated entity's land and buildings and development land.

The lease liability is secured by a charge over the leased assets.

Converting Preference Shares :
On 1 October 1997 the company issued 1,500,000 converting preference shares of $10 each. The shares were non-redeemable and non-cumulative and offered a 7.5 % fully franked dividend. During the financial year following a resolution by shareholders, 43,972,404 ordinary shares were issued on 31 October 2000 through the conversion of 646,653 Converting Preference Shares. The remaining Converting Preference Shares were extended to 31 October 2003 and the coupon rate was reset to 8.5% on the original $10.00 issue price of the shares. Converting Preference Shares have been reclassified as debt under the requirements of the revised standards.
The comparative is disclosed in Note 21(b).

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
20. PROVISIONS - NON-CURRENT					
Employee entitlements		114	116	-	-
21. CONTRIBUTED EQUITY					
(a) Ordinary Shares:					
Issued and paid up capital 116,922,677 ordinary shares, fully paid (2000: 72,938,273)		31,788	25,587	31,788	25,587
Reconciliation					
Balance at beginning of period		25,587	27,956	25,587	27,956
Conversion of Converting Preference Shares		6,201	-	6,201	-
Buyback		-	(2,369)	-	(2,369)
Balance at end of period		31,788	25,587	31,788	25,587

21. CONTRIBUTED EQUITY (continued)

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
(b) Converting Preference Shares					
Converting Preference Shares - 853,347 non cumulative converting shares, fully paid (2000: 1,500,000)		-	14,383	-	14,383
Reconciliation					
Balance at beginning of period		14,383	14,383	14,383	14,383
Converted to ordinary shares		(6,201)	-	(6,201)	-
Reclassified to debt		(8,182)	-	(8,182)	-
		-	14,383	-	14,383

Ordinary Shares

(a) Dividend Reinvestment Plan :

The Dividend Reinvestment Plan was suspended on 10 February 1999.

(b) Employee Share Scheme :

An employee share scheme has been in operation during the year. The scheme was approved by members at the Annual General Meeting held on 18 November 1998 and operates at the discretion of the board.

No shares were issued under the scheme during the year.

(c) Share Options :

Under the Executive Share Option Plan approved by members on 18 November 1998, 1,325,000 options over ordinary shares were issued to executives of the company. The options were granted on 16 June 1999, for no consideration at an exercise price of 61.5 cents and expire on 16 June 2009. The exercise price was based on the weighted average price of shares sold on the Australian Stock Exchange during the 5 trading days up to and including the date of grant of options. The earliest date that the options can be exercised is 24 months from the date of grant provided that certain performance hurdles, as determined by the board, are met. There is no additional amounts required to be paid on the exercise of the options.

No options over ordinary shares were issued during the year and 350,000 options lapsed during the period resulting in 975,000 options being on issue as at 30 June 2001.

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
22. RESERVES					
Asset revaluation reserve		-	-	3,316	3,316
Retained Profits		10,514	10,339	5,024	9,193
(a) Asset revaluation reserve					
(i) Nature and purpose					
The asset revaluation reserve is used to record increments and decrements in the value of non current assets. The reserve can only be used to pay dividends in limited circumstances					
(ii) Movement in reserve					
Balance at beginning and end of year		-	-	3,316	3,316
(b) Retained Profits					
Balance at beginning of year		10,339	9,808	9,193	764
Net profit attributable to members of Devine Limited		175	1,652	(4,179)	9,550
Total available for appropriation		10,514	11,460	5,014	10,314
Dividends for the period		-	1,121	-	1,121
Balance at end of year		10,514	10,339	5,014	9,193

Converting Preference Shares have been reclassified as liabilities in the current financial period. Accordingly Converting Preference share dividends of $851,031 (2000: $1,121,000) have been included in the Statement of Financial Performance as an interest expense.

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
23. STATEMENT OF CASH FLOWS					
(a) Reconciliation of cash:					
Cash balance comprises:					
- cash at bank		3,745	-	-	-
- bank overdraft		-	(1,154)	(5,535)	(3,824)
Closing cash balance		3,745	(1,154)	(5,535)	(3,824)
(b) Reconciliation of the operating profit after tax to the net cash flows from operations:					
- operating profit after tax		138	1,744	(4,083)	1,550
- depreciation and amortisation of property, plant and equipment		1,752	1,197	616	564
- write-off of carried forward expenditure		-	750	-	(79)
- depreciation of display centres		65	354	-	-
- CPS dividend accrued		(72)	-	(72)	-
- interest capitalised		(1,316)	-	(110)	-
- finance lease interest		13	-	10	-
- provision for customer subsidies		63	-	-	-
- provision for doubtful debts		(120)	123	(120)	200
- provision for employee entitlements		55	207	(17)	237
- provision for rental guarantee		(54)	(423)	71	-
- provision for repossessions		232	888	-	-
- provision for warranties		(42)	(600)	(42)	(600)
- provision for redundancies		-	254	-	-
- loss/(profit) on sale of non-current assets		256	11	26	18
- inter-company dividends		-	-	-	(8,000)
- management fees		-	-	-	(4,520)
- distributions to outside equity interests		37	(92)	-	-
Changes in assets and liabilities					
- trade and sundry debtors		14,340	(11,556)	14,445	(15,529)
- prepayments		(1,666)	(205)	881	(129)
- inventories		(20,941)	8,052	4,809	11,279
- future income tax benefit		2,045	624	(1,631)	61
- creditors and accruals		8,916	(1,738)	463	828
- receivables from controlled entities		67	-	-	-
- deferred income tax liability		(801)	(3,101)	(39)	(206)
- retention funds		(1,317)	(2,194)	-	-
- provision for tax		(2,697)	(4,862)	(1,082)	1,080
- other non-current assets		-	998	-	-
Net cash flow from (used in) operating activities		**(1,047)**	**(9,569)**	**14,125**	**(13,246)**

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
23. STATEMENT OF CASH FLOWS (continued)					
(c)Bank overdraft facility:					
The consolidated entity has a bank overdraft facility available to the extent of $5,000,000 (2000: $6,500,000). As at balance date $5,000,000 of the facility was not utilised (2000: $5,346,000).					
(d) Financing facilities:					
Financing facilities of $116,450,000 (2000: $52,231,000) were available to the consolidated entity at the end of the financial year. As at that date, $51,845,300 (2000: $38,563,000) of these facilities were in use.					
(e) Non-cash financing and investing activities:					
During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of $77,000 (2000: $NIL) by means of finance leases. Plant and equipment acquired by means of a finance lease by the parent entity was $77,000 (2000: $NIL).					
(f) Acquisition of Controlled Entity:					
Consideration					
- cash paid		754	-	-	-
Net assets of Amalgamated Mortgage Management Holdings Pty Ltd at 23 January 2001					
- cash		37	-	-	-
- trade debtors		32	-	-	-
- property, plant and equipment		52	-	-	-
		121	-	-	-
- creditors		(121)	-	-	-
- fair value of net tangible assets		-	-	-	-
- goodwill arising on acquisition		754	-	-	-
		754	-	-	-
Net cash effect					
Cash paid for purchase of controlled entity as reflected in the consolidated financial report		754	-	-	-
24. OUTSIDE EQUITY INTEREST					
Reconciliation of outside equity interest in controlled entities:					
Opening balance		-	-	-	-
Add share of operating profit/(loss)		(37)	92	-	-
Profit distributed		-	(92)	-	-
Closing balance		(37)	-	-	-

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	DEVINE LIMITED 2001 $'000	DEVINE LIMITED 2000 $'000
25. EXPENDITURE COMMITMENTS					
Lease expenditure commitments					
(a) Finance leases					
- not later than one year		188	76	188	76
- later than one year but not later than five years		-	125	-	125
- later than five years		-	-	-	-
		188	201	188	201
Less: future finance charges		(9)	(16)	(9)	(16)
Lease liability		179	185	179	185
Current liability		179	64	179	64
Non-current liability		-	121	-	121
		179	185	179	185
(b) Operating leases (non-cancellable)					
- not later than one year		601	653	45	107
- later than one year and not later than five years		775	835	49	106
- later than five years		-	-	-	-
Aggregate lease expenditure contracted for at balance date but not provided for		1,376	1,488	94	213
26. EMPLOYEE ENTITLEMENTS					
The aggregate employee entitlement liability is comprised of:					
Provisions (current)		1,179	1,006	469	486
Provisions (non-current)		-	116	-	-
		1,179	1,122	469	486
27. REMUNERATION OF DIRECTORS					
		$	$	$	$
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:		908,592	956,000		
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Devine Limited, directly or indirectly, from the entity or any related party:				908,592	956,000
The number of directors of Devine Limited whose remuneration (including superannuation contributions and indemnity insurance premiums) falls within the following bands:					
$50,000 - $59,999				1	2
$60,000 - $69,999				-	1
$70,000 - $79,999				1	-
$80,000 - $89,999				2	1
$290,000 - $299,999				1	-
$320,000 - $329,999				1	-
$350,000 - $359,999				-	2

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001 $	2000 $	DEVINE LIMITED 2001 $	2000 $
27. REMUNERATION OF EXECUTIVES					
Remuneration received or due and receivable by executive officers of the consolidated entity (including executive directors of the consolidated entity) whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:		3,440,216	3,196,000		
Remuneration received or due and receivable by executive officers of the company whose remuneration is $100,000 or more, from the company and or related party, in connection with the management of the affairs of the company or any related party, whether as an executive officer or otherwise.				3,440,216	3,196,000
The number of executive officers (including directors) of the consolidated entity and the company whose remuneration (including superannuation contributions) falls within the following bands:					
$100,000 - $109,999		1	2	1	2
$110,000 - $119,999		2	-	2	-
$120,000 - $129,999		-	1	-	1
$130,000 - $139,999		-	2	-	2
$140,000 - $149,999		1	3	1	3
$150,000 - $159,999		1	1	1	1
$180,000 - $189,999		-	1	-	1
$190,000 - $199,999		2	-	2	-
$200,000 - $209,999		2	-	2	-
$210,000 - $219,999		1	1	1	1
$240,000 - $249,999		-	1	-	1
$260,000 - $269,999		1	-	1	-
$290,000 - $299,999		1	-	1	-
$300,000 - $309,999		3	1	3	1
$350,000 - $359,999		-	3	-	3
28. AUDITOR'S REMUNERATION					
Amounts received or due and receivable by the auditors for:					
Audit or review of the financial report		115,000	115,000	115,000	115,000
Other services		166,746	146,160	166,746	146,160
		281,746	261,160	281,746	261,160

NOTES (continued)
30 JUNE 2001

29. EVENTS SUBSEQUENT TO BALANCE DATE

Devine Limited has entered into a contract to purchase a prime residential development site in the Brisbane CBD for a consideration of $20.3 million.

30. RELATED PARTY DISCLOSURES

(a) The directors of Devine Limited during the financial year were:

K P Prior

D H T Devine

P J Ferris AM

R W Parris

K M Woodley

D J Ridley

(b) The following related party transactions occurred during the financial year:

Transactions with related parties in the wholly owned group -

* Rental income was received from controlled entities under normal commercial terms and conditions.

* Management fees were received from controlled entities under normal commercial terms and conditions.

* Trust distributions were received from controlled entities.

* Dividends were received from controlled entities.

* Interest free loans made by Devine Limited to controlled entities repayable on demand.

* Interest free loans made to Devine Limited by controlled entities repayable on demand.

Transactions with other related parties -

* Devine Limited received trust distributions from the Pineridge Unit Trust, of which Devine Limited has a controlling interest, of $30,076 (2000: $318,787)

Transactions with the directors and director-related entities -

* K P Prior is a partner of McCullough Robertson. Fees totalling $54,950 (2000: $141,821) were paid or payable to McCullough Robertson during the year in respect of legal services provided to the consolidated entity. These fees were determined under normal commercial terms and conditions.

NOTES (continued)
30 JUNE 2001

30. RELATED PARTY DISCLOSURES (continued)

* K M Woodley is a partner in a business known as Clayfield Galleries. Clayfield Galleries provided picture framing services to the group on normal commercial terms. The consolidated entity paid $1,185 (2000: $6,965) during the year for these services.

* R W Parris is a partner of Parris & Associates. Fees totalling $53,759 (2000: $26,213) were paid or payable to Parris & Associates during the year in respect of project management services provided to a controlled entity. These fees were determined under normal tendered commercial terms and conditions.

(c) Interests in the shares of entities within the consolidated entity held by the directors of Devine Limited and their director-related entities as at 30 June 2001 were:

Name	Devine Limited 1c Ordinary Shares	Devine Limited 8.5% Converting-Preference Shares	Devine Limited Options Over Ordinary Shares
K P Prior	222,996	2,000	-
D H T Devine	26,250,500	-	625,000
P J Ferris	126,638	4,968	-
R W Parris	65,000	-	-
K M Woodley	9,572,351	-	350,000
D J Ridley	100,000	-	-

(d) Devine Limited is the ultimate controlling entity.

31. SEGMENT INFORMATION

The consolidated entity conducts business predominantly in the residential building and land development industry in Australia.

32. CONTINGENT LIABILITIES

The parent entity and controlled entities have entered into local authority performance guarantees of $4,623,528 at 30 June 2001 (2000: $7,427,555) relating to individual estates. The guarantees are secured by charges over the assets of the respective entities. No liabilities are expected to arise.

The parent entity (Devine Limited) has guaranteed, under the terms of Class Order 98/1418, to pay any deficiency in the event of winding up of the controlled entities listed in note 11. The controlled entities have also given a similar guarantee in the event that Devine Limited is wound up.

The company has deposited $6,077,062 (2000: $4,759,986) into bank accounts subject to charges by agreement with the financial institutions which provide funding for mortgages under the "Builder Pays Deposit" promotion. In addition, a performance guarantee totalling $1,500,000 has been issued to one of the lending institutions. These funds are only available to meet costs associated with a loss on resale occurring as a result of buyer default on mortgages and repossessions. The consolidated entity's liability is limited to between 2% and 7%, of the original loan amount of the defaulting purchaser in each individual case and the amounts held in the bank accounts and performance guarantee in total. That is, the consolidated entity could not be liable for more than $7,577,062 as at the 30 June 2001 (2000: $4,759,986). As at the 30 June 2001 a provision of $2,018,791 (2000: $1,786,793) has been raised on the basis of expected future costs as disclosed in Note 18.

33. LAND ACQUISITION COMMITMENTS

As at 30 June 2001 the group had entered into put/call option agreements to acquire developers' land amounting to $28,288,500 (2000: $11,891,600). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

NOTES (continued)
30 JUNE 2001

	Notes	CONSOLIDATED 2001	2000
34. EARNINGS PER SHARE			
(a) Basic earnings per share (cents per share)		0.2	0.7
(b) Diluted earnings per share (cents per share)		0.2	0.3
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share.		102,104,579	74,378,510
There have been no conversions, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.			

NOTES (continued)
30 JUNE 2001

35. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and conditions
(i) Financial assets			
Trade and other debtors	6,10	Trade and other debtors are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer recognised	Proceeds due from sales made on completed homes are payable on the settlement date of each sale. The terms of each sale will vary due to individual circumstances. Progress claims issued with regard to homes under construction are due and receivable after 5 working days.
Retention Funds	9	Retention funds are carried at the principal amount. Interest is recognised as it is earned.	These funds are only available to meet costs associated with a loss on resale occurring as a result of buyer default on mortgages and repossession. The consolidated entity's liability is limited to between 2% and 7% of the original loan amount of the defaulting purchaser in each individual case and the amounts held in the bank accounts in total.
(ii) Financial liabilities			
Bank overdrafts	17	The bank overdraft is carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged by the bank at a variable rate of 9.00%. Details of the security over the bank overdraft are set out in the note.
Bank loans	17	Bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.	The bank loans are repayable from the proceeds of sales as a percentage of cash receipts. Details of the security over bank loans are set out in the note. Interest has been charged at an average rate of 8.32%.
Trade and other creditors	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity	Trade liabilities are settled on the due date for payment agreed with individual suppliers.
Dividends Payable : Ordinary Shares	5	Dividends payable are recognised when declared by the consolidated entity	No Dividends are payable (2000: nil) per ordinary share for the financial year ended 30 June 2001. The extent to which the dividends are franked, details of the franking account balance at balance date and franking credits available for the previous financial year are disclosed in note 5.
Converting Preference Shares	19	Converting Preference Shares are recognised as debt where the holder is not exposed to the changes in fair value of the instrument.	Details of converting preference shares issued and the terms and conditions at balance date are set out in note 19.
Financial lease liability	17	The lease liability is accounted for in accordance with AASB 1008.	As at balance date, the consolidated entity had finance leases with an average lease term of 3 years. The average discount rate implicit in the leases is 7.2%. The security over finance leases is disclosed in note 17.

NOTES (continued)
30 JUNE 2001

35. FINANCIAL INSTRUMENTS (continued)

(a) Terms, conditions and accounting policies (continued)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and conditions
(iii) Equity			
Ordinary shares	21	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares issued and the terms and conditions of options outstanding over ordinary shares at balance date are set out in note 21.
(iv) Unrecognised Financial Instruments			
Put/Call Option Agreement	33	The consolidated entity enters into put/call option agreements with developers to acquire land.	At balance date the consolidated entity had put/call agreements with developers to acquire land amounting to $28,288,500 (2000: $11,891,600). These options all have an exercise date within one year of balance date.

NOTES (continued)

35. FINANCIAL INSTRUMENTS (continued)

c) Net fair values

The aggregate net fair values of financial assets and recognised financial liabilities, at balance date, are equivalent to their carrying values. The net fair value of unrecognised financial liabilities, at balance date, is $28,288,500 (2000: $11,891,600) which is the maximum amount the group is liable to pay on put/call options in place at balance date.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments :

Cash and cash equivalents

The carrying amount approximates fair value because of their short term to maturity.

Trade and other debtors

The carrying amount approximates fair value.

Dividends payable

The carrying amount approximates fair value.

Trade and other creditors

Trade and other creditors represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest. The carrying amount approximates net fair value because credit terms are not greater than 60 days.

Borrowings

Bank loans are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date plus accrued interest which is charged at current market rate.

At 30 June 2001 the company held 853,347 (2000:1,500,000) 8.5% fully franked Converting Preference Shares (2000: 7.5%). These shares will convert to ordinary shares at 31 October 2003. These have been recorded at cost which approximates their net fair value.

Finance lease liability

The carrying amount of finance lease liability approximates net fair value because interest is charged at market rates.

d) Credit risk exposures

The consolidated entity's maximum exposures* to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk (a) (b)

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers. However, the majority of customers are concentrated in Australia.
Credit risk in trade debtors is minimised as trade debtors have approved finance prior to sales taking place.

*The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

NOTES (continued)
FOR THE YEAR ENDED 30 JUNE 2001

35.FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date are as follows:

Financial interest rate	Floating interest rate	Fixed interest rate maturing in : 1 Year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing	Total carrying amounts as per the balance sheet	Weighted average effective interest rate
	2001	2001	2001	2001	2001	2001	2001
	$'000	$'000	$'000	$'000	$'000	$'000	%
(i) Financial assets							
Cash	3,745	-	-	-	-	3,745	1.75
Trade & other debtors	-	-	-	-	10,678	10,678	N/A
Retention Funds	6,077	-	-	-	-	6,077	4.90
Total financial assets	**9,822**	**-**	**-**	**-**	**10,678**	**20,500**	**N/A**
(ii) Financial liabilities							
Bank overdrafts	-	-	-	-	-	-	9.00
Bank loans	29,066	16,500	-	-	-	45,566	8.32
Trade and other creditors	-	-	-	-	24,142	24,142	N/A
Dividends payable - Ordinary	-	-	-	-	-	-	N/A
Converting Preference Shares	-	-	8,182	-	116	8,298	8.50
Finance lease liability	-	179	-	-	-	179	7.17
Total financial liabilities	**29,066**	**16,679**	**8,182**	**-**	**24,258**	**78,185**	**N/A**

NOTES (continued)
FOR THE YEAR ENDED 30 JUNE 2001

35.FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date are as follows:

Financial interest rate	Floating interest rate	Fixed interest rate maturing in : 1 Year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing	Total carrying amounts as per the balance sheet	Weighted average effective interest rate
	2000	2000	2000	2000	2000	2000	2000
	$'000	$'000	$'000	$'000	$'000	$'000	%
(i) Financial assets							
Cash	-	-	-	-	-	-	N/A
Trade and other debtors	-	-	-	-	25,826	25,826	N/A
Retention Funds	4,760	-	-	-	-	4,760	5.3
Total financial assets	**4,760**	**-**	**-**	**-**	**25,826**	**30,586**	**N/A**
(ii) Financial liabilities							
Bank overdrafts	1,154	-	-	-	-	1,154	8.6
Bank loans	38,563	-	-	-	-	38,563	7.1
Trade and other creditors	-	-	-	-	16,082	16,082	N/A
Dividends payable							
Ordinary	-	-	-	-	-	-	N/A
Converting Preference Shares	-	-	-	-	188	188	N/A
Finance lease liability	-	64	121	-	-	185	7.3
Total financial liabilities	**39,717**	**64**	**121**	**-**	**16,270**	**56,172**	**N/A**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Devine Limited, I state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 11 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

K P Prior
Chairman

D H T Devine
Managing Director

Brisbane, 26 September 2001.

ERNST & YOUNG

INDEPENDENT AUDIT REPORT

To the members of Devine Limited

Scope

We have audited the financial report of Devine Limited for the financial year ended 30 June 2001, as set out on pages 15 to 46, including the Directors' Declaration. The financial report includes the financial statements of Devine Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Devine Limited is in accordance with:

(a) The Corporations Act 2001 including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Ernst & Young

ERNST & YOUNG

Eddy

T C Eddy
Partner
Brisbane

Date: 27 September 2001

SHAREHOLDINGS

Information as to shareholdings on 31st August 2001 is as follows:

(a) Ordinary Shares

Substantial Shareholdings

The names of the substantial shareholders and the number of the equity securities in which they have an interest, as shown in the Company's Register of Substantial Shareholders, are:

Name	No. of Shares
The following companies hold a relevant interest in these shares.	
DEVINE INDUSTRIES PTY LTD	25,647,500
LARRAPINTA PTY LTD	8,525,807
Number of Shares	
Ordinary shares which have equal voting rights*	116,922,677

*Voting Rights:
On a show of hands every member present in person or by proxy or attorney or duly appointed representative shall have one vote and on a poll every member present as aforesaid shall have one vote for each share of which the member is the holder.

Distribution Schedule

Category	No. of Shareholders
1 - 1,000	164
1,001 - 5,000	704
5,001 - 10,000	645
10,001 - 100,000	962
100,001 and over	150
	2,625

There were 430 shareholders with less than a marketable parcel ($500).

Twenty Largest Shareholders

The percentage of the total holding of the 20 largest shareholders, as shown in the Company's Register of Members as at the 31st August 2001 is 46.02% and their names and number of shares are as follows:

Name		
Devine Industries Pty Ltd	25,647,500	21.94%
Larrapinta Pty Ltd	8,525,807	7.29%
Permanent Trustee Australia Ltd	3,861,789	3.30%
Mr George Hampton Andrew	2,980,000	2.55%
Michael Craft Pty Ltd	2,700,000	2.31%
Mr John Wentworth Hill	1,348,873	1.15%
Colvic Pty Ltd	1,098,200	0.94%
Planette Thoroughbred Trading Pty Ltd	879,700	0.75%
Dr Kimbal James Trevor	825,358	0.71%
Copabella Pty Ltd	780,000	0.67%
ANZ Nominees Pty Ltd	700,002	0.60%
Mr Glenn David Clayton	618,300	0.53%
Mr David Harold Thomas Devine	603,000	0.52%
Mr John Edward Lovett	600,000	0.51%
Jetan Pty Ltd	500,000	0.43%
The Carlson Family Company Pty Ltd	458,767	0.39%
Luton Pty Ltd	450,000	0.38%
Mr Simon Robert Evans	427,312	0.37%
Mr Geoffrey Duncan Nash	400,000	0.34%
Castrisuper Pty Ltd	399,341	0.34%
	53,803,949	46.02%

SHAREHOLDINGS (continued)

(b) Converting Preference Shares

Substantial Shareholdings

There are no converting preference shareholders who hold 20% or greater of the number of converting preference shares issued.

Number of Converting Preference Shares

Converting preference shares*	853,347

*Voting Rights:
A converting preference share does not confer any right to vote to the holders of those shares prior to the conversion date (31 October 2003) except for those exceptions noted in the Converting Preference Share prospectus. In any one or more of those events nominated in the Converting Preference Share prospectus, a converting preference share confers the same right to vote (both on a show of hands and on poll) as an ordinary share.

Distribution Schedule

Category	No. of Shareholders
1 - 1,000	296
1,001 - 5,000	120
5,001 - 10,000	10
10,001 - 100,000	9
100,001 and over	-
	435

There was 1 converting preference shareholders with less than a marketable parcel ($500).

CORPORATE GOVERNANCE STATEMENT

The board of directors of Devine Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Devine Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

* the board should comprise at least six directors and should maintain a majority of non-executive directors;
* the chairman must be a non-executive director;
* the board should comprise directors of an appropriate range of qualifications and expertise; and
* the board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

Name	Company Title
K P Prior	Chairman, Non-Executive Director
D H T Devine	Managing Director
K M Woodley	Marketing Director
P J Ferris AM	Non-Executive Director
R W Parris	Non-Executive Director
D J Ridley	Non-Executive Director

Remuneration Committee

The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive directors. The board has established a remuneration committee, comprising two non-executive directors. Members of the remuneration committee through the year were:

K P Prior	P J Ferris AM

The company has a board approved policy of only allowing trading of shares by Directors or staff in the period of 21 days following an announcement being made by the company to the Australian Stock Exchange. However the board may on occasion relax the policy to allow Directors or staff to acquire shares with specific board approval for each purchase. This relaxation of the policy only occurs at times where the board considers that the market is well informed about the company. In such cases, Directors and staff are also reminded that they must be satisfied that their actions are consistent with the rules relating to insider trading.

CORPORATE GOVERNANCE STATEMENT 30 JUNE 2001 (continued)

Audit Committee

The board has established an audit committee, which operates under a charter approved by the board and meets at least quarterly. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-finance considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control to the audit committee. The committee also provides the board with additional assurance regarding the reliability of financial information for including in the financial statements. All members of the audit committee are non-executive directors. The members of the audit committee during the year were:

P J Ferris AM (Chairman)	R W Parris	D J Ridley

The audit committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

Board responsibilities

As the board acts on behalf of the shareholders and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the board to the managing director and the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the managing director and the executive management team.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the board. The board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committee referred to above, these mechanisms include the following:

* board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
* the strategic plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
* implementation of budgets by management and board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

* the annual report which is distributed to all shareholders;
* the half-yearly report distributed to all shareholders;
* the annual general meeting and other meetings so called to obtain approval for board action as appropriate; and
* reporting to shareholders from time to time on the performance of the company.

NOTES

Marketing of the 221 unit, $71M River City project commenced in March with 95% of the units now sold.

Devine
LIMITED

DEVINE LIMITED

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