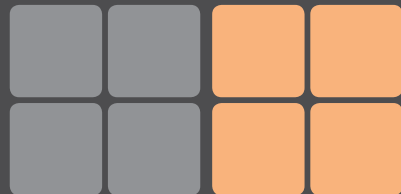
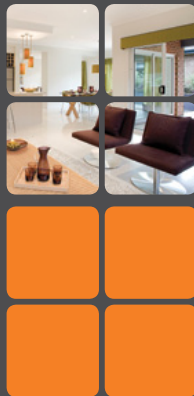
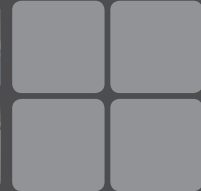
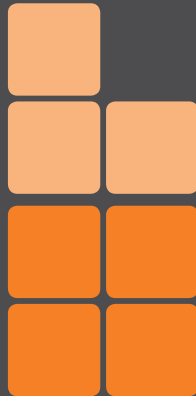




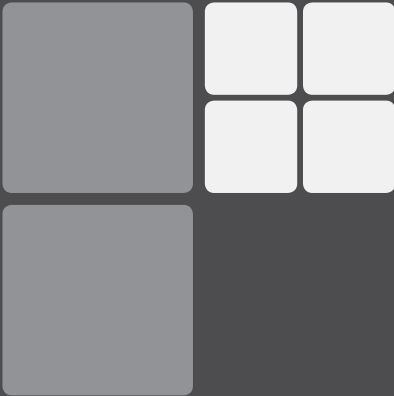
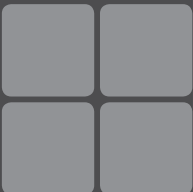
Devine  
GROUP

ANNUAL REPORT 2010/11



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it's about

# PERFORMANCE



This financial report covers the consolidated Devine entity consisting of Devine Limited and its subsidiaries.

Devine Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Devine Limited, 3 Westmoreland Boulevard, Springwood, Queensland 4127.

Its principal place of business is:

Devine Limited, Level 18, 175 Eagle Street, Brisbane, Queensland 4000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities and in the directors' report, both of which are not part of the financial report. The financial report was authorised for issue by the directors on the 8th September 2011.

For queries in relation to our reporting please call (07) 3380 2500.







# it's about EXPERIENCE

## COMPANY OVERVIEW

**Devine was first established in 1983 and quickly built a reputation for providing quality homes in some of the fastest growing areas of south east Queensland.**

Today, Devine is one of the most recognised brands in the Australian residential property sector and the company proudly stands by its record for quality and value.

Devine's property experience extends across community development and creation, home building and apartment and mixed use projects.

In addition the company includes a dedicated construction business, established to maximise efficiencies and ensure the timely delivery of major projects.

In the year ended 30 June 2011, the company delivered more than 1,000 homes and settled 1,626 allotments throughout Victoria, Queensland and South Australia and has been responsible for providing homes and apartments for more than 23,000 Australian families since listing on the Australian Stock Exchange in 1993.

As a leader in the Australian housing and property development industry, the company is committed to providing quality housing options and residential developments that people are proud to call home.

The company aims to create vibrant communities in which all who play a role, whether in their design, development or enjoyment, can be proud. In achieving this goal Devine has established an enviable reputation for the delivery of innovative modern homes that meet the needs of Australians today and into the future.

With more than \$3.5 billion worth of major projects planned and underway, Devine commands respect from its peers and offers strength in the market place. As at 30 June 2011, Devine's development pipeline included the equivalent of 16,000 allotments and dwellings.



## NPAT

**\$8.2m**  
2010



**\$20.2m**  
2011



**147%**

## Earnings Per Share

**1.8 cents**  
2010



**3.2 cents**  
2011



**77%**

## Dividend (FULLY FRANKED)

**1 cent**  
2010



**2 cents**  
2011



**100%**

## Backlog @ 30 JUNE

**9,260**  
DWELLINGS  
2010



**16,000**  
DWELLINGS  
2011



**73%**



# CHAIRMAN'S REPORT

## YEAR ENDED 30 JUNE 2011

**On behalf of the Devine Board I am pleased to report on the results of the Company for the year ended 30 June 2011 and to provide a summary of the key highlights and primary activities.**

Devine has delivered a strong profit result for the year ended 30 June 2011 which reflects on the changes made to the business, our strategy and execution which were implemented over the past year.

A profit after tax of \$20.2 million was reported for the 2010/11 year which was 147% up on the previous year's reported result. As a result the Directors are pleased to announce a final dividend of 1.0 cent per share has been declared which will be paid on the 30th September 2011.

The 2010/11 year saw the company execute a number of key initiatives from its strategic plan with this document setting out a clear pathway to achieving the growth aspirations of the Board and management. Some of the initiatives undertaken included:

- Further increasing the pipeline of future developments by 8,400 equivalent lots and new dwelling opportunities in high growth metropolitan and regional locations bringing the current total future pipeline to around 16,000 equivalent lots and dwellings with an end value of nearly \$3.5 billion dollars;
- Securing the development rights to a substantial community project in the high growth Gladstone market;
- Further enhancing our product diversity objectives with a new apartment project site secured in the Brisbane CBD fringe suburb of Teneriffe;
- In line with our strategy, securing our growth in a highly capital efficient manner through joint ventures and land access arrangements;
- Expanding the company's product offering within Devine Homes to incorporate an expanded range of homes and also targeted 'wholesale' building opportunities;
- Maintaining a strong balance sheet evidenced by gearing of 26% at 30 June 2011; and
- Successfully launching a new "Devine Group" brand which demonstrates an innovative and broad approach to the business.

I will discuss these and other matters in the report which follows.

## RESULTS

The \$20.2 million after tax profit resulted in basic earnings per share of 3.2 cents for the year (2009/10, 1.8 cents).

A final dividend of 1.0 cent per share has been declared bringing the total dividend for the year to 2.0 cents per share fully franked. As previously mentioned this dividend will be paid on 30 September 2011.

Total assets stood at \$588 million at 30 June 2011, a 5% increase on the \$559.7 million 12 months earlier. This increase reflects our investment in our significant mixed use project at Hamilton Harbour and the increased pipeline of future development work highlighted previously.

Net assets at 30 June 2011 stood at \$344 million, up 2.3% on the June 2010 figure and resulted in a net tangible asset backing per share of 53.7 cents at year end (last year, 52.5 cents).

## KEY OPERATING ACTIVITIES AND INITIATIVES

Land settlements and housing starts for the last year delivered significant revenues and operating profits. Housing starts achieved were in line with prior year results and whilst land settlements declined as a reflection of the continued tough trading conditions, improved operating margins ensured improved profitability from this area of our operations.

Victoria and South Australia delivered exceptional performances reflecting the maturity of these operations. The Queensland results suffered through subdued markets and a variety of natural disasters that greatly influenced consumer confidence.

As mentioned earlier, a site was acquired in the near Brisbane CBD suburb of Teneriffe with plans for a 110 apartment project now well advanced with a launch planned for November 2011. Good progress was also made on finalising the design and securing development approvals for Devine Apartment's other two development sites in the Brisbane CBD.

Excellent progress was achieved by Devine Constructions on the construction of the first two residential towers at the Devine/Leighton Properties joint venture project, Hamilton Harbour, in Brisbane. Work on these two



buildings is on program for completion by December 2011. Targeted sales levels have been strong on the third residential tower and Devine Constructions has been awarded the contract to construct this significant residential tower, commencing in August 2011.

The company's strategic plan was updated and subsequently reviewed by the Board and Senior Management in February 2011. This re-confirmed the Board's and management's intention to focus the Company's activities on the residential sector and adopted a growth strategy centred around Devine's product offering and further diversifying its market and geographic reach. The plan also re-endorsed the objective of achieving growth in a capital efficient manner through continuing to seek out joint venture and land access opportunities.

A more detailed report on the company's operations is provided in the Managing Director and CEO's report.

### **CAPITAL STRUCTURE & DEBT FACILITIES**

The Notice of Meeting for the Company's AGM to be held on 28 October 2011 and which accompanies this Annual Report includes a resolution to be considered by shareholders that, if approved, would result in a 4 for 1 consolidation of Devine's ordinary shares on issue. Following the rights issue undertaken in March 2010, the company's issued capital doubled to currently stand at 634.9 million ordinary shares on issue.

Directors believe that a consolidation of the Company's shares is in the best interests of all shareholders and the Company and are of the opinion that the large number of shares on issue for Devine imposes a number of disadvantages to the Company. Full details of the proposed share consolidation and the rationale for proposing it are contained in the explanatory notes section of the Notice of Meeting.

Leighton Holdings increased its stake in Devine from 49.66% to 50.06% on 29 June 2011. This is seen by the Devine Board as a strong endorsement of the Company's current business strategy, its management and its ongoing performance.

Strong surplus operating cash flows of \$75 million were recorded in the 2010/11 year and this contributed to a strong balance sheet and gearing being maintained at year

end stood at 26% (23% as at 30 June 2010). This will enable future planned growth to be achieved whilst still operating within the Company's targeted gearing range of 30% to 40%.

The Company successfully renegotiated and extended its core debt facilities during the year, with the \$175 million "evergreen" multi option facility extended to July 2013. Cash and undrawn facilities stood at \$87 million at 30 June 2011.

### **BOARD AND GOVERNANCE**

Directors were pleased to welcome Mr. Travis Young to the Board in November 2010. Mr. Young joined as the third Leighton nominated Director on the Board. Travis has worked in various roles with Leighton Holdings for more than 30 years, most recently as Deputy Chief Financial Officer. His experience and insight will further strengthen the Devine Board.

The Company continues to place a high degree of focus on the monitoring and management of its exposures to risk and believes that it has appropriate controls in place to manage those risks. Compliance with good Corporate Governance principles is also a key focus of the Board and the Company's Corporate Governance statement was reviewed and updated during the year. Please refer to the Corporate Governance Statement which appears later in the Annual Report for further details.

The Notice of Meeting for the Company's AGM incorporates a resolution to be considered by shareholders that provides for an update to the Constitution of the Company. If approved this updated Constitution, which reflects the present corporations law as embodied in the Corporations Act, makes no change to shareholders rights, but brings it in line with current standards.

### **OUTLOOK**

Devine has delivered a vastly improved profit result for the 2010/11 financial year and despite continued challenging conditions has maintained a strong presence in delivering quality affordable product across our geographic positions.

Several new projects will commence trading in the period to June 2012 and it is expected that these will make a valuable contribution to the results for the 2011/12 year. In addition,

the settlement of apartments in the first two residential towers in the Hamilton Harbour project will commence in late 2011 and this, together with revenue and profits from Devine Constructions, will provide a valuable contribution to the overall group performance.

With a strong balance sheet and operating cash flows together with low gearing, Devine is well positioned to pursue its growth strategy over the coming year. Balancing this, however, is the recent volatility seen in the financial markets and the uncertainty about the direction of the Australian economy and particularly the property market over the short to medium term. Forecasting in this environment therefore is very difficult. However, in providing guidance for the 2011/12 year, Directors expect the company to achieve a profit after tax that is generally in line with that achieved for the year just ended.

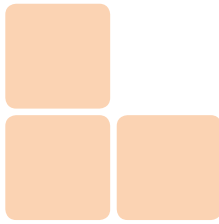
### **CONCLUSION**

Devine will continue to pursue its growth objectives which will see it both diversify its earnings base and increase its revenue over time. The pipeline of future development work outlined earlier in this report provides the company with a firm foundation on which to achieve its goals.

In closing, I acknowledge the contribution made by the company's dedicated team of employees and on behalf of the Board and shareholders, I extend our appreciation for their efforts. I also acknowledge the contribution made by my fellow Directors and thank them for their commitment and support over the last year.



**Doug Ridley**  
Chairman



## MANAGING DIRECTOR & CEO'S REPORT

**Over the past 12 months Devine has continued to implement its strategy of diversifying its product offering by geography, market segment and price point. This approach has been rewarded with an increased profit combined with a significantly expanded development pipeline that will secure future operations.**

The company reported a Net Profit After Tax of \$20.2 million for the year to 30 June 2011, which was achieved through an improvement in operating margins, diversity of earnings achieved through our various business units, and a strengthened position in a variety of growth corridors in Australia.

During the period the Group secured almost 8,400 equivalent lots and new dwelling opportunities across 10 sites in high-growth metropolitan and regional locations taking Devine's total development pipeline to 16,000 equivalent lots and dwellings. This backlog of opportunities now provides for many years of future development and earnings for the Group.

Importantly, we intend to move to immediate realisation of our new projects with seven of the ten newly-secured opportunities to be launched prior to the end of the 2011/12 financial year.

Among the key projects secured and advanced during the period, was a \$1.4 billion master planned residential community in Gladstone in Central Queensland which will be the largest residential project ever undertaken in the region. Approvals have recently been issued by the Gladstone Regional Council enabling a start on this exciting opportunity in calendar 2012.

The Gladstone project will house approximately 7,500 people in up to 2,900 dwellings to be constructed over the next 12 to 15 years.

Devine's presence in Gladstone, one of Australia's strongest performing housing markets, has significant strategic value for the company, and it has already been awarded 'wholesale' home building contracts for clients servicing the coal-seam gas industry. This has provided the opportunity for an early establishment of our housing operations in the region.

In Brisbane, construction of the first two residential towers at Hamilton Harbour remain ahead of schedule and within budget due to an excellent performance by Devine Constructions. The first two towers are due for completion in the first half of the 2011/12 financial year. Sales have remained strong within the third residential tower which has enabled Devine Constructions to be awarded a \$60 million contract to commence construction.

Devine also secured a new development opportunity at Teneriffe in Brisbane's CBD fringe. The project will deliver 110 apartments in a vibrant inner-urban location with sales forecast to commence in the latter part of this year.

Devine undertook a comprehensive refreshment of its brand during the period which gained wide market recognition and acceptance. This new look, combined with an expanded product range and project portfolio, has ensured a high level of momentum continues across the business.

Over the past year the company has introduced a number of initiatives focussed on ensuring alignment in our operations, communication and outlook.

- The Devine Way, an agreed set of core values that underpin the culture of the workplace and reflect internal and external behaviours;
- d'vine, an internal communication portal that supports a collaborative approach to sharing knowledge, successes and learnings;
- Devine Cares, the employee giving program that links the business and staff to the broader community.



## DEVINE HOMES AND DEVINE COMMUNITIES

Devine reinforced its position as one of Australia's leading creators of residential homes and communities during the year with 1,626 lots settled and with 1,048 houses commenced.

The operating division recorded sustained profit growth with a profit before tax of \$31.3 million from revenue of \$368 million. This was underpinned by improved margins of 29.0%, up from 27.5% in 2010.

Recently secured development opportunities have embedded Devine's Housing and Communities business in key growth corridors, with development approval already secured on five new projects in Victoria, South Australia and Queensland.

In line with the Group's strategy, significant market and product diversity has been achieved with a focus on the affordable and mid-market segments.

Strong performances were achieved in both the Victorian and South Australian operations, while Queensland continued to lag with subdued consumer sentiment, reflective of the challenges presented with various natural disasters during the year. Momentum has recently increased in Queensland with a strong response from the market to the recent Queensland Government Building Boost and the Devine offering.

Devine's new housing range won various industry awards through the year and was supported with 10 new display homes across three locations nationally. The total number of homes on display on both company owned and other sites reached 30 during the year. Further new product designs will be displayed in 2012 with both new and replacement display homes planned to open progressively during the year.

The company has broadened its housing reach and now provides a 'wholesale' housing solution to major clients. A number of significant building contracts have been secured which will contribute earnings in the 2011/12 financial year.

## DEVINE APARTMENTS

The business maintained its focus during the year on securing further sales at the flagship Hamilton Harbour mixed use project, whilst also significantly advancing concepts on both Teneriffe and other Brisbane owned development sites.

Sales in the third residential tower at Hamilton Harbour now exceed \$60 million enabling construction to commence.

Settlements on the first two residential towers will occur in the 2011/12 financial year with construction on program and within budget. Settlement of the Management Rights and Strata retail and commercial elements will also occur over the year. Construction is expected to commence on the major commercial component of the Hamilton Harbour project in the next 12 months with strong retail and commercial leasing enquiry currently being converted.

## DEVINE CONSTRUCTIONS

The Group's in-house construction team delivered a solid operating performance over the last year, completing a number of state government school projects, as well as achieving the 'topping out' of the first two residential towers at Hamilton Harbour. The transformation of the urban landscape of Hamilton with the delivery of these towers has created a vibrant construction environment with a peak workforce of nearly 600 workers on site during the day.

The construction team secured the contract from the joint venture to build the third tower of 190 apartments with works commencing on this 18 month construction program in August 2011.

Devine Constructions provides a unique in-house capability that ensures efficient, cost effective and quality controlled delivery of apartment projects for the Group.

## COMPANY OUTLOOK AND FOCUS

The Devine brand, whilst clearly recognisable in the Australian market, will continue to grow through the Group's focus on delivering sustainable earnings underpinned by geographic, product and market diversity.

Significant growth in the Company's pipeline, a clear focus on using capital efficiently, and the delivery of innovative and value for money product solutions ensured a successful financial year, and positioned the Group well for the year ahead. Contracts on hand for land settlements, housing starts and apartment settlements in the coming year are in line with expectations.

A dedicated, focussed and aligned group of staff will continue to deliver on the Group's strategy and drive a competitive advantage in a sometimes challenging marketplace. In the coming year all operating businesses will contribute earnings through achieving scale and meaningful revenue contribution in their operations.

The company is well positioned for continued growth with a strong balance sheet, strong operating cashflow, low gearing and innovative thinking.

I would like to acknowledge the significant and valuable contribution of the Devine team over the past 12 months and their ongoing passion and commitment in ensuring the continued success of the Company.



**David Keir**  
Managing Director & CEO



“It’s nice to have new parks and new amenities;  
in fact everything is new. That’s the beauty of  
building in a new community development.”

SHEREE CAPON, HOME OWNER  
THE SUMMIT AT MT BARKER, SOUTH AUSTRALIA





## BUSINESS ACTIVITY UPDATE

# it's about our CLIENTS

## A BALANCED LIFE HAS ITS BENEFITS

**For Sheree and Steve Capon the decision to build at Devine's The Summit at Mt Barker was about choosing a better quality of life for their two young children.**

South Australia's The Summit community was designed to offer large blocks of land to families looking to realise their dreams of relaxed, uncluttered living in a vast amount of space.

"The Summit has that feel about it where it's a country town but you've got what you need.

"We were drawn to it because there is an open feeling with scenic views and landscaping where you can live with more peace and tranquility and not in the middle of the city," Sheree said.

The couple, who built a large four bedroom home to take in the country views from their block, decided the lifestyle benefits of town living outweighed a short commute to the city.

With son Bailey, soon to start kindergarten and daughter Paige, not far behind, they preferred to give them their first taste of schooling in a wholesome country community.

"We are now spoiled with a host of nearby amenities including schools, reserves, playgrounds and a golf course close at hand which is all pretty attractive and ideal for us.

"The community looks beautiful and another thing we really liked about it was that the blocks of land are very large.

"It's also nice to have new parks and new amenities; in fact everything is new. That's the beauty of building in a new community development, instead of just buying somewhere, we thought why not try something different!"

The Summit at Mt Barker is a \$70 million 18-hectare community that will be home to approximately 500 people and is within easy reach of primary and high schools, the local cinema and golf course, retail and convenience shopping and within a 5-minute drive of the Mount Barker Town Centre and 35 minutes to Adelaide's CBD.



## DEVINE EXTENDS REACH INTO NEW MARKETS

**Strong consumer demand for more home buying options has driven a significant expansion of Devine's products and services.**

The home only option, new contemporary designer collection and medium density solutions have been introduced to build on Devine's strong reputation for quality addresses as well as meet our customers' expectations for greater choice, innovation and affordability.

Devine's entry into the home only contract building sector now offers home buyers the chance to build a Devine home on their own land.

"This is a very useful option to have in the market as it offers more choice to clients, sees Devine extending its reach into a new segment and provides more work for our partners and suppliers," General Manager Marketing, Warren Thomson, said.

The introduction of Devine's contract home building option coincides with the launch of a new range of high quality, contemporary homes designed for home buyers looking to upgrade.

The sophisticated designer collection features a range of luxury inclusions that come standard in the overall price and will deliver more choice and flexibility to buyers.

Designer facades, luxury kitchens, upgraded fixtures and fittings, quality appliances and more are all included in the price of a Devine home.

The end result is a Devine home built to the highest standards demanded by today's upgrader market.

A series of stylish, low-maintenance and value for money terrace homes and townhouses have been introduced to compliment Devine's range of large, traditional family homes.

"These new homes are designed to integrate with more traditional homes without impacting on the character of the neighbourhood," Warren said.

"The terrace home lifestyle is becoming increasingly popular with buyers and the homes were being snapped up quickly.

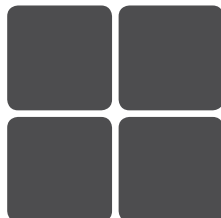
"Terrace homes are attractively priced and great for first home buyers, perfect for investors and also popular with singles.

"We expected the new terrace homes to be well received, but we have been encouraged at how quickly they have generated a high level of interest," said Warren.

The timing of Devine's home range expansion to include more medium density solutions is ideal to help ease the affordability challenge facing today's market.







## BUYERS CLEAR ON THEIR CHOICE AT PARKS EDGE

Sales consultants have recorded a great level of enquiry at Victoria's new Parks Edge community, which is expected to be home to 1,600 residents upon completion.

Victoria General Manager, Neil Anderson, said the early success is due to the high demand for master planned communities in Melbourne's fast-growing south-eastern corridor.

"Parks Edge offers plenty of open space with a choice of quality homes in a fast growing location that has excellent lifestyle options, and an abundance of amenity, including recreation, shopping, schools, services and transport.

"We believe a huge draw card for buyers has been the proximity to the \$30 million Casey Fields, a premier sports facility in Melbourne," Neil said.

Construction at Parks Edge is now underway with work starting on The Advantage precinct and the construction of the first homes to be completed by mid next year.

"If the past busy months are any indication then we believe the first stages will sell out very quickly," Neil said.

Sales consultants are still recording a great level of enquiry for the first stage, with land starting from just \$198,900 for a 400sqm vacant block with a wide range of home and land packages also available, starting from \$363,900.



4



- 1 Inside Devine's new two-storey 'Sorrento', which launched in 2010.
- 2 Devine's contemporary collection includes luxury features and upgrade options.
- 3 Low maintenance terrace homes are becoming increasingly popular with buyers.
- 4 Space for families to grow is a key feature of Parks Edge at Cranbourne.





- 1 Lakeside at Andrews Farm has set the benchmark for new Devine communities in Adelaide.



## DEMAND GROWS FOR ADELAIDE'S PRIZED SOUTH

**Property in Adelaide's south is in high demand and proving very popular with buyers who are realising the potential it holds.**

To meet the increased demand, Devine has recently secured a new 2.2 hectare property in Morphett Vale where it plans to build a family-friendly community called The Glenn. Located in the prized southern corridor, The Glenn presents an exceptional opportunity to build a new home in an already established suburb close to transport and amenities.

South Australia General Manager, Steve Weightman, said the demand for opportunities such as this in the south was very high.

"The growing Adelaide population is driven by a number of factors and significant development and infrastructure is needed to be put in place to support sustainable growth.

"With many home buyers having to purchase 40km outside of the CBD due to little or no land availability, The Glenn is strategically located 25km from Adelaide's CBD, and will feature quality, value for money Devine home and land packages that offer access to an exciting lifestyle in the vibrant community of Morphett Vale," Steve said.

Buyers are already registering their interest with homes expected to be released to the public in Spring 2011.

Building upon its reputation in the Adelaide Hills, Devine will soon launch Mawson Green at Meadows.

This latest community development will continue to meet the market's demand for a lifestyle focussed address and build on the success achieved with The Summit at Mt Barker and Lakeside at Andrews Farm.







2



2 Buyers are enjoying more choice with over 30 home designs with a variety of luxury inclusions and upgrade options.

## QUEENSLAND PROPERTY MARKET GETS A BOOST

**Devine has received an overwhelming response in its bid to improve housing affordability in Queensland, with buyers rushing to benefit from Devine's new 'No Deposit' home and land offer.**

Devine's 'No Deposit' opportunity takes advantage of the recently announced Queensland Government Building Boost grant.

Queensland General Manager, Andrew Brimblecombe, said the offer is a welcome opportunity for buyers looking to purchase their first home.

"Combined with the \$17,000 currently available in government grants, the 'No Deposit' campaign gives buyers an unprecedented opportunity to enter the property market with the purchase of a contemporary, high-quality home.

"Housing affordability is a key issue facing buyers today and this initiative gives them a much-needed head start in today's competitive property market.

"We've been very pleased with the positive response to our 'No Deposit' offer and we look forward to helping more buyers achieve the great Australian dream of home ownership," Andrew said.

Buyers have over 30 exciting new designs to choose from, including the Glenelg 220, awarded as the Queensland Master Builders' Association's display home of the year.

Andrew said, "Devine's high quality home and land packages were located in some of Queensland's fastest growing suburbs and regions.

"All of our home and land packages are located in attractive, family-friendly communities located close to transport, shopping, schools and community facilities.

"It shows that with the right solution and the right product, there are people in the market who are committed to purchasing," Andrew said.







# it's about our PEOPLE

“Success is attractive. It attracts high calibre people, better solutions, better suppliers and the flow on effect means we are getting the best out of people.”

EDDIE GANGEMI, SENIOR PROJECT MANAGER, DEVINE CONSTRUCTIONS  
HAMILTON HARBOUR, QUEENSLAND



## PEOPLE AND PERFORMANCE, A DEVINE OUTCOME

**From out of the footings the emergence of Brisbane's newest river precinct, Hamilton Harbour, has been at an ever-increasing pace and impressed all who have witnessed the progress.**

But to Devine Constructions' Senior Project Manager, Eddie Gangemi, leading the \$230 million construction project is not just about building Brisbane's newest lifestyle precinct, it's also about building a team.

His role is to manage the process of construction and deliver on the client's expectations, however he views his role from a somewhat more grounded way.

"The key word is people.

"Project management requires a certain personality and skill set, for me that is knowing what other people's core skills are and proactively setting roles to match.

"It takes a myriad of characteristics to be an effective leader; you've got to be tough but sensitive, have a balance of inspiration and knowledge, patience but efficiency, motivation and excellence," Eddie said.

For Eddie, it's these abilities that connects with people and draws the best out of them, which on a construction site that has an average workforce of over 500 subcontractors at any one time can be difficult.

With the integration of existing values from the entire workforce Eddie has been able to establish a team culture that still recognises the diversity of its members.

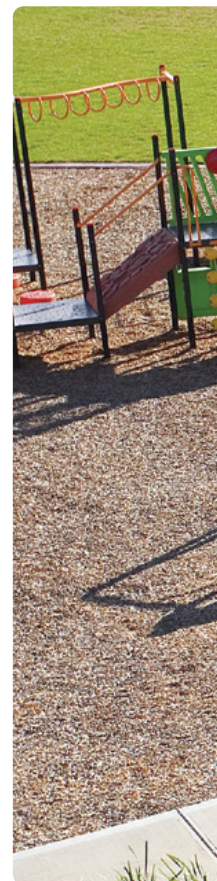
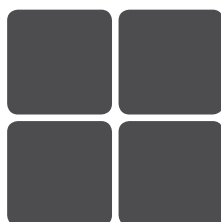
"I believe we have set a highly motivating culture that sees the team working to one goal; an action that is self-perpetuating, has momentum to encourage and the reason why constructing Hamilton Harbour has been successful.

"Success is attractive. It attracts high calibre people, better solutions, better suppliers and the flow on effect means we are getting the best out of our people and putting it back into the project," Eddie said.

"People want to work with us because we lead by example and show that by creating a culture we're not just talking about it, we're doing it," Eddie said.

"I would normally say my proudest accomplishment was being involved in 333 Ann Street which was recognised with state and national Australian Institute of Building awards.

"But to be honest, the achievement I am most proud of is building a team and seeing it excel," Eddie said.







## BUILDING CULTURE, THE DEVINE WAY

**At Devine we create great places to live through taking great pride in the communities, homes and apartments we deliver across Australia.**

Everything we do is guided by five core values, The Devine Way, which underpins the culture of our workplace.

Integrity, Commitment, Excellence, Care and Innovation are the framework for our success and make us who we are in the eyes of all who see us.

People and Performance General Manager, Jacque Courtney-Pitman said, "The five core values have been filtered from numerous group and individual discussions with Devine peers.

"In a way they are a reflection of what working at Devine is about to us. It is now up to us all to live these values in our own way and deliver great results the Devine Way," Jacque said.

To help share our values across the business a new intranet was created and launched to be used as a discussion starter and to explore and agree on what living The Devine Way means to everyone.

Building strong relationships with each other, our clients and partners, our community and our environment will ensure we develop an underlying culture and commit to the community and care for others.



- 1 Hamilton Harbour's first residential towers have progressed quickly through the structural stages and onto completing internal fitout.
- 2 Hamilton Harbour will welcome its first residents prior to Christmas 2012.
- 3 The Devine Way will help drive better solutions and quality outcomes for Devine's clients.
- 4 The inclusion of a primary school at Victoria's Arndell community was well received by all stakeholders and a milestone for Devine.





# it's about GIVING BACK

## THE STRENGTHENING LINK BETWEEN DEVINE AND OUR COMMUNITY

**A newly introduced staff initiative, the Devine Cares Program, is an opportunity to align one of our core values with our commitment to the community and caring for others.**

The philanthropic initiative aims to add to the culture of the workplace and contribute support and engagement into our community.

People and Performance General Manager, Jacque Courtney-Pitman said, "The initiative has been well received by Devine's staff and is important to our employment value proposition.

"In this incredibly busy year we've already had our first skills share program where over 80 Queensland staff helped flood affected residents clean up their homes and various charity events where Devine participated and volunteered.

"The commitment of our people is evident with 24 percent of our staff signing up to support the workplace giving program to date, which provides financial support to selected charities.

Plus, the Devine Group is committed to matching the contributions dollar for dollar.

"All this helps to provide our staff with a high level of satisfaction while making a visible difference by giving to charities directly," Jacque said.

With the Devine Cares initiative already seeing new opportunities develop, Devine is looking forward to expanding its role in the community.

## DEDICATED TO MAKING A DIFFERENCE

**The commitment Devine makes to its charity partners is all about making a difference.**

Jane Andersen, CEO of Cystic Fibrosis Queensland (CFQ) said, "Devine is different because we have a real partnership that offers support and guidance."

"Cystic Fibrosis Queensland has many supporters, but none like Devine."

"The support Devine provides has many elements and extends beyond traditional financial support.

"Devine is not just about giving money, but working together; whether that means showing a commitment to volunteering, assisting in our events, or other activities where the result gives us a greater depth of knowledge about each other," Jane said.

Devine Managing Director and CEO, David Keir, recently joined the CFQ board of directors.

"I was very grateful that someone so busy could commit to that. We now have access to his business acumen and it is a truly unique partnership and a wonderful sign of a long term commitment," Jane said.

With charity organisations suffering from the economic downturn it's been increasingly hard to keep sponsors and partnerships active and CFQ is planning for a future where organisations may not be able to help because of the tough financial climate

"Having worked in not-for-profit organisations for over seven years I still do find it hard to ask for help, and I understand when people have to say no, but we are fighting to stay alive too.

"While support and financial contributions have dropped by 40 percent since 2008 we are moving forward with next year's fundraising event plans.

"With help from Devine, fresh new ideas are being created as they do open doors for us.

"What's more, it is very important to have our story heard and have people understand that Cystic Fibrosis is the most common life-threatening genetic condition in Australia that has no cure," Jane said.





“Cystic Fibrosis Queensland  
has many supporters, but  
none like Devine.”

JANE ANDERSEN, CEO  
CYSTIC FIBROSIS QUEENSLAND



A man with brown hair, wearing a dark blue pinstripe suit jacket, a light blue dress shirt, and a dark blue tie with a repeating green pattern, is pointing his right arm towards the right side of the frame. The background is a blurred outdoor landscape with greenery and hills.

“We recognised Devine as a strong, dynamic and progressive group that could deliver increased long-term value to our land.”

ALISTAIR GULL, DIRECTOR  
THE GULL GROUP, VICTORIA



# it's about PARTNERSHIPS

## PARTNERSHIPS DELIVER MORE OPPORTUNITIES

**Stonehill at Bacchus Marsh, in Melbourne's Western Growth Corridor, is a new \$800 million master planned community to be delivered in a joint venture with The Gull Group, Australia's largest private operator of retirement villages.**

The Gull Group directors Alistair and Stewart Gull first acquired the site in 2007 and said several other options for the site had been examined before choosing to partner with Devine.

The partnership means Devine and The Gull Group will work together to play a major role in meeting the demand for housing in the region.

"It was Devine's strong track record and experience in delivering substantial master planned communities that gave the development the best chance to have a successful future.

"As landowners, we recognised Devine as a strong, dynamic and progressive group that could deliver increased long-term value to our land in a timely and profitable manner," Alistair Gull said.

Expertise and experience from both parties will be integrated into the project where The Gull Group's vision is to deliver a major supply of new land to the area to help alleviate housing affordability issues.

"Devine's involvement, as a large public company, gives the community, existing residents and future buyers the confidence that the development will come to fruition," Alistair said.

Devine Managing Director and CEO, David Keir, said the structure of the partnership with The Gull Group was indicative of the company's preferred model for future development.

"We will increasingly be looking to leverage our skills and capabilities in project delivery by partnering with landowners who are looking for a trusted brand to deliver their project," he said.

The Gull Group know Devine as a very efficient business, evolving and adapting constantly to enter the right space under the present market conditions.

"Development has become a complicated business and we believe Devine has the right options. Future opportunities would make sense to our company as we see Devine as having built strong relationships within the property development circles," Alistair said.

"This partnership will also be able to capitalise on the major infrastructure works such as the Deer Park Bypass, Anthony's Cutting Realignment and the fast train, all of which will bring Bacchus Marsh closer to Melbourne".

The 141-hectare site, which borders a golf course on one side and the Werribee River on the other, is expected to yield approximately 1,500 home sites over the next 8-10 years with first sales commencing in September 2011.





## DEVINE'S GROWING PIPELINE OF SUCCESS

Devine continues to drive its growth strategy by significantly increasing its development pipeline.

During the 2010/11 financial year Devine secured almost 8,400 equivalent lots and new dwelling opportunities across 10 sites in high-growth metropolitan and regional locations.

This took Devine's total development pipeline to 16,000 equivalent lots and dwellings making Devine one of the largest developers of residential land in Australia.

Several new projects will commence trading in the period to June 2012 and it is expected that these will make a valuable contribution to the results for the 2011/12 financial year.

"With a strong balance sheet and operating cash flow and low gearing, Devine is well positioned to pursue its growth strategy over the coming years," Devine Managing Director and CEO, David Keir said.

## HIGH SPEED DELIVERY AT EDEN BROOK

Eden Brook's first residents are already moving in to their new Devine homes and will welcome the ability to stay 'connected' with the delivery of high-speed telecommunications to the home.

To enhance the everyday aspect of family living Devine has partnered with a fibre optic technology company, CNTCorp, to deliver more convenience with high-speed telecommunications and internet.

"Providing ultrafast broadband using fibre optic technology delivers optimal quality and speed to the residents and throughout the community.

"Our partnership with Devine will make installation delays a thing of the past and strengthen the evolution of lifestyle in a digital information era," David Setiady of CNTCorp said.

Located just 45 minutes from Melbourne's CBD, Eden Brook is set on 44 hectares combining an abundance of open space. The community enjoys ease of access to some of Melbourne's most vibrant retail and business centres along with a fantastic array of shopping, sporting and educational amenities.







## PROJECT TO BECOME GLADSTONE'S PREMIER ADDRESS

**The first soil is yet to be turned on Devine's newest project in Gladstone, however Gladstone Councillors are already seeing a potential for the community to become "the showcase for the region".**

The \$1.4 billion master planned community, in the rapidly growing central Queensland city, recently received rezoning approval and along the way was praised by Gladstone Regional Council for the way the new development will integrate with the broader community.

The council congratulated Devine on a very well planned development that connects a cohesive community through its planning of networks of open space, pedestrian and cycle ways.

Planning for public access to the Boyne River foreshore will activate the riverside precinct and the project will enhance the region with new roads, parks and facilities.

Queensland General Manager, Andrew Brimblecombe, said, "Devine had worked extensively with the land owner and Gladstone Regional Council during the initial approval process to deliver an outcome that has ensured "speed to market".

"This is an excellent example of the positive outcomes that can be achieved through a strong partnership," Andrew said.

Property owner, Peter Turich, said the land had been owned by his family since the mid-1800's and selling the site was not a decision they had taken lightly.

"It has significant historic value to us; even though we've owned the site for so long I always thought it had the potential for other uses.

"This will be a wonderful development and I have faith that Devine will do something worthwhile. They certainly have the capacity to do so," Peter said.

Gladstone is one of Australia's strongest housing markets, benefitting from up to \$70 billion of committed or proposed infrastructure projects.

Devine is already capitalising on this activity having been awarded home building contracts for corporate clients servicing the coal-seam gas industry.

The new community, located on the northern banks of a 3.5 kilometre stretch of the Boyne River, will become home to approximately 7,500 people in up to 2,900 homes. The master plan includes a proposed new P-7 education campus; activity centre with retail and other service facilities, more than 182 hectares of open space, and a mixed-use industry and business precinct.

Construction is expected to commence in 2012.



- 1 Devine's award winning Brighton 175 continues to be a popular choice with homebuyers.
- 2 Victoria's Eden Brook community features fibre optic broadband connection to each home.
- 3 An aerial view of the 496ha site that will be transformed into Gladstone's premier address.





#### AT A GLANCE

##### Hamilton Harbour River Precinct

Hamilton Harbour, in Brisbane's inner-north, will transform a once industrial area into a vibrant precinct overlooking the Brisbane River.

Just 4.5km from the Brisbane CBD, Hamilton Harbour provides river precinct living in Brisbane's prestigious suburb of Hamilton. Combining designer apartments with sophisticated retail and lifestyle amenity, this lively hub is set to become a destination in its own right.

#### PROJECT

Hamilton Harbour

#### LOCATION

Harbour Road, Hamilton

#### SIZE

2.1 hectares

#### YIELD

660 residential units, 17,000sqm of office space and 5,000sqm of retail space

#### POPULATION

Approximately 1,600

#### SITE CHARACTER

Urban infill enjoying spectacular river and city views

#### NEARBY AMENITY

- Less than 1 minute to established Portside restaurant precinct
- 1km to Eagle Farm Racecourse
- 10 minutes to the Brisbane Domestic & International Airports
- 250m to the Bretts Wharf CityCat Terminal
- 3km to the Gateway Motorway
- 5km to Royal Brisbane Hospital

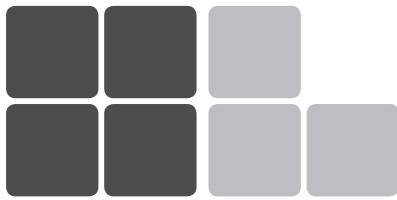
#### DEVELOPMENT STRUCTURE

Joint venture between Devine Group and Leighton Properties

#### PROJECT END VALUE

\$500 million





# hamilton harbour



- 1 Hamilton Harbour will transform the urban landscape of the riverside suburb of Hamilton.
- 2 Artist's impression of the retail and commercial promenade.
- 3 Internal perspective of Hamilton Harbour's new apartments.
- 4 River and city views are a key feature in many of Hamilton Harbour's apartments.

## BRISBANE'S NEWEST LIFESTYLE PROMISE BECOMES A REALITY

**Hamilton Harbour is set to become Brisbane's newest destination precinct with construction on the first two stages ahead of schedule.**

Harbour One, the first residential tower, was 'topped out' in May and is now structurally complete.

Harbour Two quickly followed suit being structurally complete at the end of June.

The internal fit out of apartments continues with windows, painting, flooring, bathrooms and kitchens being installed with a number of apartments already fully finished.

This excellent result, achieved by the principle construction contractor, Devine Constructions, has also seen them awarded

the \$60 million contract to build the third residential tower, Riverside Hamilton.

Work has also commenced on the signature retail building situated within a new 'high street' precinct which will feature convenience shops, eateries and specialty boutiques.

Terry Conway, Manager Apartments and Developments, said, "The retail and commercial leasing is underway and the residential settlements for the first two stages are on track and to be finalised later this year."

Terry also stated, "Hamilton Harbour's third and final residential stage continues to be a consistent top performer in the Brisbane apartment market."

# it's about PRIDE

## AWARD WINNING YEAR AT DEVINE

**Among numerous customer service awards Devine has recently received a host of prestigious peer-rated awards from the Housing Industry Association (HIA) and Master Builders' Association for its high quality home designs.**

Devine National Design Manager, Michael Battistella, said it was an honour to receive the awards and be recognised amongst Devine's industry peers.

"Winning the awards is recognition of our hard work and commitment in designing stylish, modern and functional homes that appeal to today's buyers," Michael said.

The HIA best kitchen in a display home award was presented to Devine for its Coda 240 kitchen, which boasts space and style.

The HIA also presented Devine's Brighton 175 home design with the award for best display home in the up to \$200,000 category.

The Glenelg 220 at Queensland's Mountview display village took out the best display home up to \$250,000 at the Master Builders' Association awards.

In South Australia, the HIA industry awards honoured the Magill 195 for best display home \$150,000 - \$175,000 and the Glenelg 220 for best display home \$175,000 to \$200,000.

"This is a great result which reflects the industry's respect for the changes we made to our designs to deliver an affordable, attractive and innovative product.

"The growing collection of awards are very much a reflection of Devine's commitment to service, innovative design and building excellence and are a fantastic result for the company and the entire Devine team," Michael said.

## SECRETS TO WINNING SUCCESS

**'Whatever it takes' is the motto Devine's customer service team uses when keeping clients' needs as their priority.**

Victoria's Customer Service Manager, Kate Garrard, said it's also having a team that cares, that are honest and have a willingness to help, no matter what.

"A team that works together is a successful team and it's this persistence that has been recognised with numerous customer service award wins," Kate said.

Working in various roles at Devine for over 12 years, Kate knows that persistence pays off.


"We strive to be the best, and when we are recognised as achieving great results it makes us more determined to excel," Kate said.

Over the years the team has had to become more aware of the differing desires of clients' and have been able to adapt products and services to suit.

"Our service has always been great quality, but there is always room for refinement and to be able to say we are rated extremely high at what we do just shows that we never stop trying to better our service."

"We treat clients how we all would expect to be treated - that's our difference," Kate said.





“We strive to be the best, and when we are recognised as achieving great results it makes us more determined to excel.”

KATE GARRARD, CUSTOMER SERVICE MANAGER  
DEVINE VICTORIA

it's about

# DIRECTION

THE COLLECTIVE EXPERIENCE OF THE DEVINE BOARD PROVIDES STRONG LEADERSHIP TO THE BUSINESS OPERATIONS.



**DOUG RIDLEY**

CHAIRMAN

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 private company has provided consulting services to a number of companies allied to the industry. He is currently the Chairman of Bradcorp Holdings Pty Ltd.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Chairman of the Board.  
Chairman of the remuneration committee.

**Interests in shares and options**

492,059 ordinary shares in Devine Limited.



**DAVID KEIR**

B. App. Sc., GDURP, GDPM  
(Prop Dev), MAICD

MANAGING DIRECTOR & CEO

David has over 20 years experience across a diverse range of roles within the property industry including town planning, project management, operations and construction. His broad-based experience in urban development provides him with an in-depth understanding across development, including acquisition, funding, development, sales and marketing. Immediately prior to joining Devine in 2010 he was CEO of Delfin Lend Lease where he also held a variety of other roles after joining the company in 1994. David holds a Bachelor of Applied Science, Built Environment, as well as a number of other postgraduate qualifications.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

Nil.

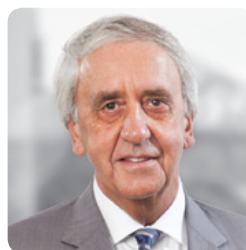
**Special responsibilities**

Managing Director.

**Interests in shares and options**

70,000 ordinary shares in Devine Limited.

1,400,000 options over ordinary shares in Devine Limited.



**RICK PARRIS**

FAICD.

NON-EXECUTIVE DIRECTOR

Rick Parris is a quantity surveyor who was formerly Queensland Regional Director for Civil & Civic and the Lend Lease Property Group Australia Limited. He is an Honorary Ambassador for the City of Brisbane, a Director of Queensland Water Infrastructure Pty Ltd (responsible for the delivery of Queensland's new dams) and a Director of several private property advisory companies.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

G8 Education Limited.  
Appointed 26 Oct 2007  
Resigned 18 Sept 2008

**Special responsibilities**

Nil.

**Interests in shares and options**

485,901 ordinary shares in Devine Limited.



**VYIRIL VELLA**

NON-EXECUTIVE DIRECTOR

As a former Managing Director of Leighton Properties, Vyiril was responsible for the property development activities of the Leighton Group. Vyiril has over 40 years experience in the property development and construction industry. After completing multiple degrees in science and engineering he worked for a short time in engineering design before joining Leighton Contractors in 1974, rising to the position of General Manager, NSW & ACT, and a director of the Company. In 1988 he was appointed to the position of Managing Director of Leighton Properties, and Associate Director of Leighton Holdings, positions he held until his retirement in June 2007. During his tenure he brought a more focused and commercial approach to the Group's property development activities. Vyiril holds a Bachelor of Science (Syd), Bachelor of Engineering, Honors 1 (Syd), Master of Engineering Science (NSW), and is a Fellow of the Institution of Engineers and a Fellow of the Australian Institute of Company Directors. Vyiril is also a director of MacMahon Holdings Ltd.

**Other current directorships (listed entities)**

MacMahon Holdings Limited.  
Appointed 19 Nov 2007

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Member of remuneration committee.

**Interests in shares and options**

738,997 ordinary shares in Devine Limited.





**PETER FERRIS AM, KCSG**

B.A. (Hons Economics),  
FCA, FAIM, FAICD

NON-EXECUTIVE DIRECTOR

Peter Ferris is a former Senior Partner and National Director of Corporate Finance of Ernst & Young, a recently retired Chairman of Trustees of St Vincent's Hospital Sydney and a Trustee of St Vincent's Clinic Foundation. He is a former director of Austereo Limited, Hanimex Corporation Limited, the Defence Housing Authority, South Eastern Sydney Area Health Service, Australian Technology Group Limited and the Australian Advisory Board of Marsh Australia Pty Ltd.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Chairman of the audit committee.  
Member of remuneration committee.

**Interests in shares and options**

450,000 ordinary shares in Devine Limited.



**HON. TERRY MACKENROTH**

NON-EXECUTIVE DIRECTOR

Terry Mackenroth is a former Queensland Deputy Premier and Treasurer, and was the Minister for State Development, Communication & Information, Housing, Planning & Local Government, Regional & Rural Communities and Sport. He was responsible for setting up the Office of Urban Management and overseeing the South East Queensland Regional Plan and the South East Queensland Infrastructure Plan. Terry is currently the Chairman of Lenard's Pty Ltd and a Director of the Australian and Queensland Rugby League.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Nil.

**Interests in shares and options**

209,409 ordinary shares in Devine Limited.



**PETER DRANSFIELD**

NON-EXECUTIVE DIRECTOR

Mr Dransfield is well known in the property industry having formerly held senior executive positions with Australand and Walker Corporation and was a Director of the Multiplex Group of companies and Director of Housing for the NSW Government. Mr Dransfield is currently the Non-Executive Chairman of Australia's largest specialist hotel and gaming owner and operator, National Leisure and Gaming Limited and a Director of Bremer Park Limited. He is also an adviser to Grant Samuel Property and a Director of Macquarie Real Estate Equity Fund.

**Other current directorships (listed entities)**

National Leisure and Gaming Limited  
Appointed 5 July 2007  
Bremer Park Limited  
Appointed 4 Nov 2011

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Member of the audit committee.

**Interests in shares and options**

Nil.



**GRAEME McORIST**

FCPA.

NON-EXECUTIVE DIRECTOR

Graeme McOrist was employed by Leighton Holdings Limited, Australia's largest contracting and property development group, from November 1969 until his retirement in January 2006. During his time at Leighton, Graeme was involved in and responsible for accounting, treasury, project finance, mergers and acquisitions and risk management. In addition, Graeme was involved in the securing and execution of major infrastructure projects throughout Australia and South East Asia. He is a Director of Thiess Pty Limited, Gemco Investments Pty Ltd, Gemco Advisory Pty Ltd and Southern Way Holdings Pty Ltd and its associated companies.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Member of the audit committee.

**Interests in shares and options**

241,605 ordinary shares in Devine Limited.



**TRAVIS YOUNG**

NON-EXECUTIVE DIRECTOR

Travis Young has been employed with Leighton Holdings Limited in various roles for more than 30 years, most recently as Deputy Chief Financial Officer and prior to that, Executive General Manager, Finance and Administration. Mr Young holds a Bachelor of Business from the University of Technology, Sydney, and is a fellow of CPA Australia.

**Other current directorships (listed entities)**

Nil.

**Former directorships (listed entities) in last 3 years**

Nil.

**Special responsibilities**

Nil.

**Interests in shares and options**

1,452,500 ordinary shares in Devine Limited.

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Devine Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

## DIRECTORS

The following persons were directors of Devine Limited during the financial year:

D J Ridley (Chairman)  
D B Keir (Managing Director and CEO)  
P J Dransfield  
P J Ferris AM KCSG  
Hon. T M Mackenroth  
G E McOrist  
R W Parris  
T G Young (appointed 23 November 2010)  
V A Vella

## CHIEF FINANCIAL OFFICER (CFO)

**P V Cochrane BCom, CA.**

Paul Cochrane joined Devine Limited in October 2009. He has a strong accounting and finance background having worked in a number of senior management positions with major companies in the property sector over the last eleven years. Prior to this, Paul worked at PricewaterhouseCoopers for nine years and held the position of Senior Manager prior to leaving the firm. He holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants.

## COMPANY SECRETARY

**V N Grayson BBus (Accounting), CPA, ACIS, ACIM.**

Viv Grayson joined the Company in March 1999. Prior to this he spent most of his career at AVJennings Homes, having worked with that company from 1973 to 1995. During this time he held various accounting and management positions including three and a half years as Vice President Accounting and Finance of the company's USA operations. On his return in early 1987, he took up the role of Chief Financial Officer in Melbourne. On leaving AVJennings in December 1995, Mr Grayson spent three years as Finance Manager of a large Melbourne based timber and hardware company, Bowen & Pomeroy Pty Ltd. Mr Grayson previously held the role of Chief Financial Officer and continues as Company Secretary.

## MEETING OF DIRECTORS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each Director of the Company during the financial year are:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES			
	A	B	AUDIT		REMUNERATION AND NOMINATION	
			A	B	A	B
D J Ridley	13	13	**	**	4	4
D B Keir	13	13	**	**	4	4
P J Dransfield	13	13	3	3	**	**
P J Ferris AM, KCSG	13	13	4	4	4	4
Hon. T M Mackenroth	13	13	**	**	**	**
G E McOrist	12	13	3	4	**	**
R W Parris	12	13	1	1	**	**
T G Young (appointed 23 November 2010)	8	8	**	**	**	**
V A Vella	13	13	**	**	4	4

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\*\* = Not a member of the relevant committee

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- land development;
- home building;
- construction; and
- property development.

There were no other significant changes in the nature of the activities of the Group during the year.



## DIVIDENDS - DEVINE LIMITED

Dividends paid to members during the financial year were as follows:

	2011 \$'000	2010 \$'000
Final ordinary dividend for the year ended 30 June 2010 of 1 cent per fully paid share (Included in 2010 accounts - Nil).	6,349	-
Interim ordinary dividend for the year ended 30 June 2011 of 1 cent (2010 - Nil).	6,349	-
	12,698	-

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of \$6,349,182 (1 cent per fully paid ordinary share) to be paid on 30 September 2011 out of retained earnings at 30 June 2011.

## REVIEW OF OPERATIONS

A summary of consolidated revenues and results by significant industry segments is set out below:

	Segment revenues		Segment results	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Continuing operations</b>				
Housing and Land	367,997	448,827	31,255	33,616
Property Development (including net realised and unrealised impairments)	60,537	126,342	1,225	(17,969)
Corporate/Other	2,911	2,141	(3,428)	(4,140)
Total continuing operations	431,445	577,310	29,052	11,507
Profit/(loss) before income tax expense			29,052	11,507
Income tax expense			(8,864)	(3,399)
Profit from continuing operations			20,188	8,108
<b>Discontinued operations</b>				
Body corporate management	-	2,207	-	125
Profit before income tax expense			-	125
Income tax expense			-	(75)
Profit for the year			-	50
<b>Profit attributable to members of Devine Limited</b>			<b>20,188</b>	<b>8,158</b>

The review of operations of the consolidated entity is covered in the Managing Director's Report

## EARNINGS PER SHARE

	2011 CENTS	2010 CENTS
<b>Basic and diluted earnings per share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the Company	3.2	1.8

# DIRECTORS' REPORT CONTINUED

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A fully franked final dividend in respect of the 2011 financial year of 1 cent (2010: 1 cent) per share was declared by Directors on 24 August 2011. No provision has been recognised in the Statement of Financial Position as at 30 June 2011.

There have been no other significant events which have occurred post 30 June 2011.

## ENVIRONMENTAL REGULATION

The Economic Entity's activities are primarily involved in the sale and construction of houses, medium density and high-rise developments and the development and sale of residential land. As such, it is subject to the relevant local, state and federal government environmental regulations relating to these activities. The Company strives at all times to meet the requirements of these regulations and is conscious of its obligations to protect the environment. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these requirements.

## OCCUPATIONAL HEALTH AND SAFETY

The nature of the industry in which Devine operates heightens the potential risk of injuries being sustained on its many construction sites. The Company's OH&S officers, and through them its supervisors and foremen, are at the forefront of ensuring that the Company's many employees and sub contractors observe strict safety guidelines. Devine's Directors recognise their responsibilities to ensure the Company's policies and procedures and legislative requirements are adhered to and receive monthly reports on any workplace incidents or injuries. During the 2011 year there were 13 notifiable incidents (2010: 13) but no serious injuries sustained.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments and expected results are covered in the Managing Director's Report. In the opinion of the Directors, further information, including expected future results, would prejudice the interests of the consolidated entity.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the directors and executives of the Devine Group.

### REMUNERATION PHILOSOPHY

A key objective of the Company is to maximise shareholder returns through the attraction and retention of a high quality Board and executive team. To achieve this, Directors and key executives need to receive fair and appropriate remuneration.

The Remuneration Committee's approach is to take account of the employment market conditions and to link the nature and amount of the Executive Directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- To provide satisfactory returns to shareholders;
- The retention and motivation of key executives;
- To attract quality management to the Company; and
- By way of performance incentives, to allow executives to share in the success of the Company.

### REMUNERATION COMMITTEE

The Remuneration Committee of the Board of Directors of Devine Limited 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.

### REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of remuneration for the Non-executive Directors and senior managers is separate and distinct.

## NON-EXECUTIVE DIRECTOR REMUNERATION

**Objective** - The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

**Structure** - The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a General Meeting. An amount not exceeding the amount so determined is divided between Directors as agreed. The latest determination was at the General Meeting held on 26 April 2007 where shareholders approved an aggregate remuneration allowance of \$1,000,000 per year. In accordance with the *Corporations Act 2001*, any amounts paid to Non-executive Directors for committee work and other services are included in Directors' remuneration and the allowance for Directors' fees.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

Non-executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market within appropriate trading windows) as it is considered good corporate governance for Directors to have a financial stake in the company.

The remuneration of Non-executive Directors is detailed in the remuneration section of this report.

## EXECUTIVE DIRECTORS AND EXECUTIVE MANAGEMENT REMUNERATION

**Objective** - The Company aims to reward executives with a mix of remuneration commensurate with their position and responsibilities within the company to:

- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

**Structure** - In determining the level and makeup of executive remuneration, the Remuneration Committee considers market levels of remuneration for comparable executive roles and, from time to time, engages external consultants to provide comparative information and advice.

Remuneration consists of fixed and variable remuneration elements in the form of short term and long term incentives. The amount of fixed and variable remuneration is established for each executive by the Remuneration Committee using the principles outlined.



## FIXED REMUNERATION

**Objective** - The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of reviewing individual performance and considering comparative remuneration on offer in the marketplace.

**Structure** - Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment will be optimal for the recipient without creating undue cost for the Company. Where remuneration is made by way of a fringe benefit, the cost to the Company of the applicable fringe benefits tax is absorbed by the executive.

Certain key executives are provided with an additional benefit in the form of a retention bonus. The additional benefit is provided when it is considered that the company and its shareholders would benefit from providing the executive with an additional incentive for the employee to remain with the Company. The executive normally becomes entitled to the retention bonus progressively from between the third and fifth anniversary of entering into the retention arrangement.

## VARIABLE REMUNERATION - SHORT TERM INCENTIVE (STI)

**Objective** - The objective of the STI program is to link the achievement of the Company's financial targets with the remuneration received by the executive charged with meeting those targets. Another objective of the STI is to motivate executives to outperform the base financial targets that are set each year.

**Structure** - The total STI is set at a base level so as to remunerate executives for achieving the financial targets. It also incorporates a sliding scale element whereby executives who outperform their financial targets are rewarded appropriately. The aggregate of the annual STI payments available to executives across the Company is subject to the approval of the Remuneration Committee. Entitlements are usually paid by way of a cash bonus.

## STI BONUS FOR THE 2011 FINANCIAL YEAR

For the 2011 financial year, the aggregate of the amount that would have been payable in relation to the STI for the Executive Directors and other Key Management Personnel, had 100% of the potential bonus been paid was \$1,937,300 (2010: \$1,163,500). Based on the actual results achieved against budgeted financial targets for the 2011 financial year, the aggregate of the STI payable to the Executive Directors and other Key Management Personnel was \$1,163,666 (2010: \$919,000).

## DIRECTORS AND EXECUTIVES DISCLOSED IN THIS REPORT

NAME	STI EARNED % OF MAXIMUM
<b>Managing Director</b>	
D B Keir	65%
<b>Senior Executives</b>	
P Cochrane	64%
V Grayson	63%
S Weightman	87%
T Conway	38%
J Kerr (resigned 14 January 2011)	0%
N Anderson	79%
A Brimblecombe	29%

## VARIABLE REMUNERATION - LONG TERM INCENTIVE (LTI)

**Objective** - The objective of the LTI plan is to retain and reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

**Structure** - LTI's are offered to executives by way of an allocation of share options in Devine Limited. The frequency, number of options granted and recipients are at the discretion of the Remuneration Committee. The exercise of these options is dependent on specified financial hurdles being met in relation to total shareholder returns.

## DETAILS OF REMUNERATION

The following tables detail the total amount and elements of remuneration paid to Directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Devine Limited.

The key management personnel of the Company are the directors of Devine Limited and those executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity, as listed.

**D Keir** - Managing Director and Chief Executive Officer

**V Grayson** - Company Secretary

**P Cochrane** - Chief Financial Officer

**N Anderson** - General Manager, Victoria

**A Brimblecombe** - General Manager, Queensland

**T Conway** - Manager, Apartments and Development

**S Weightman** - General Manager, South Australia

**J Kerr** - Manager, Devine Constructions (resigned 14 January 2011)

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### DIRECTORS AND KEY MANAGEMENT PERSONNEL (KMP) OF THE GROUP

2011	Short-term employee benefits				Post-employment benefits	Share-based payments	
Name	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Committee & other fees \$	Super-annuation \$	Options \$	Total \$
<b>Non-executive directors</b>							
D J Ridley	160,550	-	-	50,000	14,450	-	225,000
P J Dransfield	96,330	-	-	2,925	8,670	-	107,925
P J Ferris AM, KCSG	105,000	-	-	35,287	-	-	140,287
R W Parris	96,330	-	-	1,400	8,670	-	106,400
Hon. T M Mackenroth	96,330	-	-	-	8,670	-	105,000
G E McOrist	96,330	-	-	4,690	8,670	-	109,690
T G Young (appointed 23 Nov 2010)	58,415	-	-	-	5,257	-	63,672
V A Vella	96,330	-	-	12,675	8,670	-	117,675
<b>Executive director</b>							
D B Keir	632,885	429,344	51,916	-	15,199	96,040	1,225,384
<b>Other key management personnel of the Group</b>							
P Cochrane	364,801	139,044	-	-	15,199	52,136	571,180
V Grayson	372,106	143,025	12,695	-	15,199	54,880	597,905
S Weightman	320,775	184,524	34,026	-	15,199	-	554,524
J Kerr (resigned 14 January 2011)	207,200	-	8,767	-	8,184	-	224,151
T Conway	334,801	39,375	-	-	15,199	-	389,375
A Brimblecombe	365,718	61,563	-	-	15,199	-	442,480
N Anderson	343,549	166,791	-	-	15,199	-	525,539

### RELATIONSHIP OF REWARDS TO PERFORMANCE

In determining whether or not the executive directors and key management personnel have an entitlement to benefits under the Company's short term incentive (STI) and long term incentive (LTI) schemes, actual performance against key operating targets is measured.

In relation to the LTI scheme which centres around the grant of share options to certain executives, these operating targets together with other key performance indicators are considered and any issue of options is at the discretion of the Company's remuneration committee. During the current period there were 3,320,000 (2010: nil) options over the Company's shares issued to executives under the LTI scheme.

With respect to the STI scheme, the consolidated group and key operating divisions have, as their key operating targets, agreed levels of profit before tax (PBT) and an agreed percentage return on sales (ROS). The Directors believe that these key performance indicators are the most effective method of aligning the interests of executive directors and key management personnel with shareholders.



## DIRECTORS AND KEY MANAGEMENT PERSONNEL (KMP) OF THE GROUP

2010	Short-term employee benefits				Post-employment benefits		Long-term benefits	Share-based payments	
Name	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Committee & other fees \$	Super-annuation \$	Termination Benefits \$	Long service leave \$	Options \$	Total \$
<b>Non-executive directors</b>									
D J Ridley	146,789	-	-	50,000	13,211	-	-	-	210,000
P J Dransfield	22,018	-	-	-	1,982	-	-	-	24,000
P J Ferris AM, KCSG	96,000	-	-	23,000	-	-	-	-	119,000
Hon. T M Mackenroth	88,073	-	-	6,600	7,927	-	-	-	102,600
G E McOrist	88,073	-	-	42,627	7,927	-	-	-	138,627
R W Parris	88,073	-	-	5,225	7,927	-	-	-	101,225
V A Vella	88,073	-	-	24,475	7,927	-	-	-	120,475
<b>Executive directors</b>									
D B Keir (appointed 1 March 2010)	228,513	-	-	-	4,820	-	-	-	233,333
D H T Devine (resigned 31 March 2010)	484,967	-	-	-	10,846	250,000	235,194	(154,095)	826,912
K M Woodley (resigned 31 March 2010)	320,904	-	-	-	9,641	150,000	175,691	(104,507)	551,729
<b>Other key management personnel of the Group</b>									
P Cochrane (commenced 12 October 2009)	253,916	75,000	-	-	10,846	-	-	-	339,762
V Grayson *	503,839	110,000	31,700	-	14,461	-	-	-	660,000
S Weightman	328,324	214,000	27,215	-	14,461	-	-	-	584,000
J Kerr	385,539	90,000	-	-	14,461	-	-	-	490,000
T Conway	335,539	50,000	-	-	14,461	-	-	-	400,000
L Hartman (resigned 30 June 2010)	430,619	380,000	81,149	-	14,461	200,000	-	(91,549)	1,014,680
J Watson (resigned 31 March 2010)	192,023	-	-	-	10,846	107,019	-	(47,669)	262,219
P Nash (resigned 20 July 2009)	98,155	-	-	-	1,205	159,000	-	(59,340)	199,020

\* Viv Grayson held the position of acting CEO from 21 January 2010 to 28 February 2010.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

### DIRECTORS AND KEY MANAGEMENT PERSONNEL (KMP) OF THE GROUP

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2011 \$	2011 %	2011 \$	2011 %	2011 \$	2011 %
<b>Executive directors of Devine Limited</b>						
D B Keir	700,000	57	429,344	35	96,040	8
<b>Other key management personnel of the Group</b>						
P Cochrane	380,000	67	139,044	24	52,136	9
V Grayson	400,000	67	143,025	24	54,880	9
S Weightman	370,000	67	184,524	33	-	-
J Kerr (resigned 14 January 2011)	224,151	100	-	-	-	-
T Conway	350,000	90	39,375	10	-	-
N Anderson	358,748	68	166,791	32	-	-
A Brimblecombe	380,917	86	61,563	14	-	-

### SERVICE AGREEMENTS

All senior executives of the company are retained under an employment contract. This sets out the terms on which the executive is employed by the company, key company policies and procedures to which the executive must adhere and details of the executive's total remuneration package. The total remuneration package includes the fixed remuneration component (base salary, superannuation, motor vehicle or allowance and any fringe benefits), the variable component (short term incentive scheme - cash bonus), long term incentive scheme (issue of share options), and a retention bonus. The retention bonus is not classified as part of the executive's total remuneration package until it is considered to be vested. The employment contracts with the Managing Director and senior executives have no fixed term, however, all employment contracts may be terminated by either party giving three months' notice. The remuneration of the Managing Director and senior executives is subject to annual review by the Remuneration Committee.

Specific details relating to the employment agreements of each senior executive are summarised below:

#### D Keir -

Managing Director and Chief Executive Officer

- Appointed CEO of Devine Limited on 1 March 2010, and Managing Director on 1 April 2010.
- Current employment contract commenced on 1 March 2010.
- A retention bonus of 100% of the fixed remuneration component is payable by way of instalments as: 40% on 1 March 2013 and the remaining 60% on 1 March 2015, provided still employed by the company at those dates.

#### P Cochrane - Chief Financial Officer

- Commenced employment on 12 October 2009.
- Current employment contract commenced on 12 October 2009.
- A retention bonus of 100% of the fixed remuneration component is payable by way of instalments as: 40% on 12 October 2012 and the remaining 60% on 12 October 2014, provided still employed by the company at those dates.

#### V Grayson - Company Secretary

- Commenced employment on 8 March 1999.
- Current employment contract commenced on 2 July 2007.
- A retention bonus of 100% of the fixed remuneration component is payable if employed by the company on 2 July 2012.

#### S Weightman -

General Manager, South Australia

- Commenced employment on 13 September 2002.
- Current employment contract commenced on 20 January 2010.
- A retention bonus of 80% of the fixed remuneration component is payable by way of instalments as: 50% on 2 July 2012 and the remaining 50% on 2 July 2014, provided still employed by the company at those dates.

#### N Anderson - General Manager, Victoria

- Commenced employment on 28 June 2010.
- Current employment contract commenced on 28 June 2010.
- A retention bonus of 80% of the fixed remuneration component is payable by way of instalments as: 30% on 28 December 2013, 30% on 28 December 2015, and the remaining 40% on 28 December 2017, provided still employed by the company at those dates.

#### T Conway -

Manager, Apartments and Development

- Commenced employment on 22 October 2006.
- Current employment contract commenced on 2 July 2007.
- A retention bonus of 80% of the fixed remuneration component is payable by way of instalments as: 50% on 2 July 2012 and the remaining 50% on 2 July 2014, provided still employed by the company at those dates.

#### A Brimblecombe -

General Manager, Queensland

- Commenced employment 21 June 2010.
- Current employment contract commenced on 21 June 2010.
- A retention bonus of 80% of the fixed remuneration component is payable by way of instalments as: 30% on 21 December 2013, 30% on 21 December 2015, and the remaining 40% on 21 December 2017, provided still employed by the company at those dates.



## SHARE-BASED COMPENSATION

An executive share option scheme was approved by shareholders in November 1998 whereby executive directors and senior executives and managers for the consolidated entity are, from time to time, issued with options over the ordinary shares in Devine Limited. The options, issued for nil consideration, are issued in accordance with guidelines established by the Directors of Devine Limited. The options are issued for a term of 5-10 years and are exercisable beginning on the second anniversary of the date of grant. The options cannot be transferred and are not quoted on the ASX. At the end of the period, there were 5 executives participating in the scheme.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	First test date	Expiry date	Exercise price	Value per option at grant date
6 March 2002	6 March 2004	6 March 2012	\$0.46	N/A
6 September 2006	6 September 2008	6 September 2016	\$0.97	\$0.13
2 July 2007	2 July 2009	2 July 2017	\$1.30	\$0.26
1 July 2008	1 July 2010	1 July 2018	\$0.79	\$0.19
1 July 2010	1 July 2012	1 July 2015	\$0.24	\$0.07

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in Devine Limited. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

The plan rules do not contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. The Board considers that the opportunity to enter into such arrangements, given the nature of the performance hurdles, is extremely limited.

These performance hurdles are set out below:

Shareholder returns defined as "growth in share price plus dividends" must exceed either:

- (i) the growth in the ASX Small Ordinaries Industrial Accumulation Index; or
- (ii) GDP + 6%

Name	Number of options granted during the year ended 30 June		Number of options lapsed during the year ended 30 June	
	2011	2010	2011	2010
<b>Executive directors of Devine Limited</b>				
D H T Devine (resigned 31 March 2010)	-	-	-	(1,533,000)
K M Woodley (resigned 31 March 2010)	-	-	-	(1,069,000)
D B Keir	1,400,000	-	-	-
<b>Other key management personnel of the Group</b>				
V Grayson	800,000	-	-	-
P Cochrane	760,000	-	-	-
J Kerr (resigned 14 January 2011)	-	-	(245,000)	-
S Weightman	-	-	(184,000)	-
L Hartman (resigned 30 June 2010)	-	-	-	(502,000)
J Watson (resigned 31 March 2010)	-	-	-	(233,000)
P Nash (resigned 20 July 2009)	-	-	-	(327,000)

## GROUP PERFORMANCE

The table below shows key total shareholder return (TSR) performance indicators:

	2007	2008*	2009	2010*	2011
Earnings per share (cents)	14.3	12.1	4.9	1.8	3.2
Dividend per share (cents)	8.0	8.0	3.0	1.0	2.0
Closing share price (cents)	139.0	80.5	44.0	23.5	25.0

\* In Dec 2007 the company undertook a 1 for 5 rights issue, and in March 2010 the company undertook an institutional placement and a 3 for 4 rights issue.

# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT (AUDITED) CONTINUED

### SHARES UNDER OPTION

Unissued ordinary shares of Devine Limited under option as at 30 June 2011 are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option*
6 March 2002	6 March 2012	\$0.46	500,000
6 September 2006	6 September 2016	\$0.97	161,000
2 July 2007	2 July 2017	\$1.30	233,000
1 July 2008	1 July 2018	\$0.79	439,000
1 July 2010	1 July 2015	\$0.24	3,320,000
			4,653,000

No option holder has any right under the options to participate in any other share issue of the group or any other entity.

### LOANS TO DIRECTORS AND EXECUTIVES

No loans were secured or made to Directors and executives during the year ended 30 June 2011 (2010: Nil).

### INSURANCE OF 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.

### NON-AUDIT SERVICES

The Company may decide to employ the external auditor (Ernst & Young) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services

is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.
- A copy of the auditor's independence declaration, as required under section 307(c) of the *Corporations Act 2001*, is set out on page 37.

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2011 \$	2010 \$
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	275,000	305,000
Other assurance and technical accounting services	10,500	10,500
Tax compliance and advisory services	98,910	187,755
Capital restructuring and corporate advice	-	409,799
<b>Total remuneration all services</b>	<b>384,410</b>	<b>913,054</b>

### EMPLOYEES

The consolidated entity employed 254 employees as at 30 June 2011 (2010: 261 employees).

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



D J Ridley  
Chairman

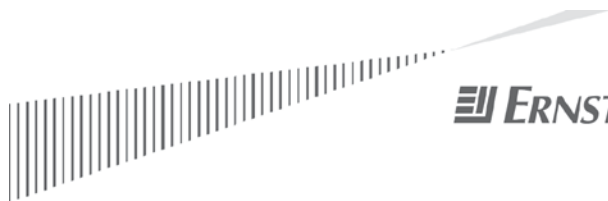
Brisbane  
8 September 2011



D B Keir  
Managing Director



# AUDITOR'S INDEPENDENCE DECLARATION



**ERNST & YOUNG**

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## Auditor's Independence Declaration to the Directors of Devine Limited

In relation to our audit of the financial report of Devine Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

*Alison de Groot*

Alison de Groot  
Partner  
Brisbane  
8 September 2011

# 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 and is accountable to shareholders for the conduct and performance of the Company.

The format of the Corporate Governance Statement reflects the second edition of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", issued in 2007. The principles of good corporate governance state that a company should:

1. Lay solid foundation for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk; and
8. Remunerate fairly and responsibly.

This statement contains specific information in relation to the governance practices adopted by Devine Limited and, where applicable, discloses the extent to which the Company has not followed the recommendations during the period together with the reasons for the departure. The Board continues to review the governance framework to ensure it meets the interests of shareholders and reflects the Company's current business initiatives.

Devine Limited's corporate governance principles were in place throughout the year ended 30 June 2011 and were compliant with the Council's Principles and Recommendations. Specific comments and further clarification follows in relation to each of the eight principles.

## PRINCIPLE 1 - FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

As the Board acts on behalf of the company's shareholders and is accountable to them, the Board seeks to identify the expectations of 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 CEO, 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 necessary to assess the performance of the Managing Director and CEO, and the Executive Management Team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the audit committee referred to below, 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 which is updated and reviewed annually 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

Adoption of board approved budgets by management and the Board's monitoring of progress against those budgets - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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 independent non-executive Directors.

The Chairman must be an independent 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 on all agenda items.

The skills, experience and expertise of each Director in office at the date of the annual report is included in the Directors' Report. Directors of Devine Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to act in an independent manner.

In accordance with the definition of independence above, and the materiality thresholds set, the following table identifies the independence status of each Director in office at the reporting date and details of the duration of their term as at 30 June 2011.

NAME	COMPANY TITLE	TERM	INDEPENDENCE STATUS
D J Ridley	Non-executive Director	13 years	Independent
D B Keir	Managing Director & Chief Executive Officer	1 year	Not Independent *
P J Dransfield	Non-executive Director	1 year	Independent
P J Ferris AM, KCSG	Non-executive Director	18 years	Independent
Hon. T M Mackenroth	Non-executive Director	6 years	Independent
G E McOrist	Non-executive Director	4 years	Not Independent **
R W Parris	Non-executive Director	18 years	Independent
T G Young	Non-executive Director	8 months	Not Independent **
V A Vella	Non-executive Director	4 years	Not Independent **

\* This Director is not considered independent as he is the Chief Executive Officer and Managing Director of the company.

\*\* These Directors are nominated representatives of a major shareholder and are therefore deemed to be not independent.



To assist the directors in exercising their responsibilities, there are procedures in place to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

It is part of the responsibility of the Board to assess whether or not it continues to operate within established guidelines and with the appropriate skill mix. In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the Chairman reviews the performance of all Directors annually and may ask Directors whose performance is considered unsatisfactory to retire. The performance of the Board and key executives is reviewed against both measurable and qualitative indicators and is aligned with the financial and non-financial objectives of Devine Limited.

Devine has not established a separate nomination committee as it is considered appropriate that any new appointments to the Board should be considered by the board as a whole. Where a requirement to appoint a new Director occurs, an independent consultant who is not a Director will be used to assist in the selection process if felt appropriate.

### PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company has in place a number of policies to assist staff when performing their duties by providing guidance on matters of an ethical and sensitive nature. The following are amongst a number of documents that are published on the

- Company's Policy and Procedures Intranet site;
- Ethical Code of Conduct;
- Management Principles and Practices;
- Confidential Information;
- Conflicts of Interest; and
- Securities Trading Policy.

These policies are communicated to all new staff via an "Employee Handbook" that extracts key aspects of the policies for review and formal acknowledgement by new staff as part of their induction into the Company.

The current employee handbook identifies a number of areas where staff and management need to be aware of the legal and other obligations of all stakeholders. Significant areas that affect the business include occupational health and safety, environmental considerations surrounding major developments and construction activities, and the interests of shareholders, finance providers and customers.

In accordance with the ASX listing rules, the Company has a securities trading policy in place which provides comprehensive guidelines for trading in the Company's shares by Directors, employees and their "connected persons" (collectively defined as relevant persons). The Board approved policy only allows trading in the Company's shares by relevant persons in the period of 42 days (trading window) following an announcement, which is deemed to be price sensitive, being made by the Company to the Australian Securities Exchange. The Board may waive this trading restriction where a relevant person needs to deal in the Company's securities due to exceptional circumstances. Relevant persons must not deal in the Company's securities in connection with a margin lending arrangement. Directors, employees and connected persons are reminded that at all times they must be satisfied that their actions comply with rules relating to insider trading.

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

An audit committee was established when the Company listed on the ASX in 1993 and has been in continuous operation since that time. It operates under a charter approved by the Board and meets at least quarterly. The current members of the audit committee are:

- P J Ferris AM, KCSG (Chairman of the Audit Committee);
- P J Dransfield; and
- G E McOrist.

Details of these Directors and their attendance at audit committee meetings are set out in the Directors' report.

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, as well as the safeguarding of assets, maintenance of proper accounting records, and reliability of financial information as well as non-finance considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the consolidated entity to the audit committee.

The audit committee is responsible for nomination of the external auditor and reviewing the adequacy, scope and quality of the annual statutory audit and half year statutory review. The committee has considered the issue of independence of the statutory auditor and is satisfied that the appointment and conduct of the statutory auditor and the practices and procedures adopted are appropriate with respect to auditor independence.

The company's full time internal auditor, the external auditors and the CFO attend each meeting of the committee. In accordance with the committee's charter, the internal and external auditors are provided with an opportunity to discuss matters with the committee in the absence of management at each meeting. The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The committee also provides the Board with additional assurance regarding the reliability of financial information including the financial statements. The Managing Director and CEO, and the Chief Financial Officer (CFO) have made the following certifications to the Board:

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and consolidated group and are in accordance with relevant accounting standards; and
- That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the company's risk management and internal compliance and control processes are operating efficiently and effectively in all material respects.

### PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

The Board of Directors aims to ensure that the shareholders, to whom they are accountable, are informed of all information necessary to assess the performance of the Company. Information is communicated to shareholders through:

- The annual report, which is made available to all shareholders;
- The half-yearly report and shareholders' bulletin distributed to all shareholders;
- The Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- Media releases and continuous disclosure announcements made through the ASX and reporting to shareholders from time to time on the performance of the Company. Where possible, the company arranges for advance notification of significant group briefings (including, but not limited to, results announcements) and makes them as widely accessible as may be practical.

Copies of this information are available on the company's web site - [www.devine.com.au](http://www.devine.com.au) under "Financial Reports".

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

Key financial reports including the half year shareholders' bulletin and annual reports are made available to shareholders to provide them with information relevant to the operation of the Company. Additional information, including these reports, is maintained on the company's web site. The company's external auditor has been invited to attend the AGM in the past and, as now required by the corporations law, will continue to be in attendance at future meetings to field questions from shareholders.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A significant number of activities exist within the building and construction industry that require active monitoring and control. Devine continues to update its risk management policies and procedures and is constantly monitoring its exposure to risk. Formal risk reporting processes for both Strategic, Health and Safety, and Trading and Operational risk areas have been implemented. These incorporate processes that exist for all projects and which require risk assessments to be included in any proposals submitted to the Board. The development of risk management processes within both existing and new business activities will continue to be refined and updated as necessary.

As part of this constant monitoring and review process, the company has an established program to review and update the potential areas of risk in relation to its Housing and Land, Apartments and Property Development, Construction and Corporate Divisions and this facilitates the review of its overall risk matrix chart for the Consolidated Group.

Internally, the review of risk management processes is carried out with the assistance of the company's full time internal auditor. This assists in ensuring that significant risk areas and associated key controls are included in internal audit reviews and facilitates reporting on the effectiveness of those controls to the audit committee and ultimately the Board.

Management also reports to the board on the company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a standing agenda item at monthly board meetings.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board is responsible for determining and reviewing compensation arrangements for the Directors and the key management personnel (KMP). A remuneration committee is in place to assist the board in reviewing remuneration for the Managing Director and CEO, and other KMP.

The current members of the remuneration committee are:

- D J Ridley (Chairman of the Remuneration Committee);
- P J Ferris AM, KCSG;
- V A Vella; and
- D B Keir (executive remuneration only).

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately and with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of the Managing Director and CEO's, and KMP's emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- To provide satisfactory returns to shareholders;
- Retention and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share in the rewards of success.

Details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel, and all Directors during the year, are provided in the Directors' Report.

When considering the entitlement by key management personnel to the receipt of bonuses, options and other incentive payments, discretion is exercised by the Board in relation to the payment of these benefits, having regard to the overall performance of the consolidated group and the performance of the relevant operating division.

The equity based compensation plan aims to align the interests of the key management personnel with those of shareholders. Any share options issued under the plan only vest and can only be exercised when certain performance hurdles have been achieved. These performance hurdles have been designed to motivate the senior executives to pursue the long term growth and success of the Company.

The terms of the scheme do not prohibit entering into transactions or arrangements which limit the economic risk of participating in uninvested entitlements (recommendation 8.3), however, given the nature of the performance hurdles, the Board considers the opportunity to enter into such transactions or arrangements is extremely limited.

The actual performance of the consolidated group and operating divisions is measured against performance targets established at the start of the year and approved by the board. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

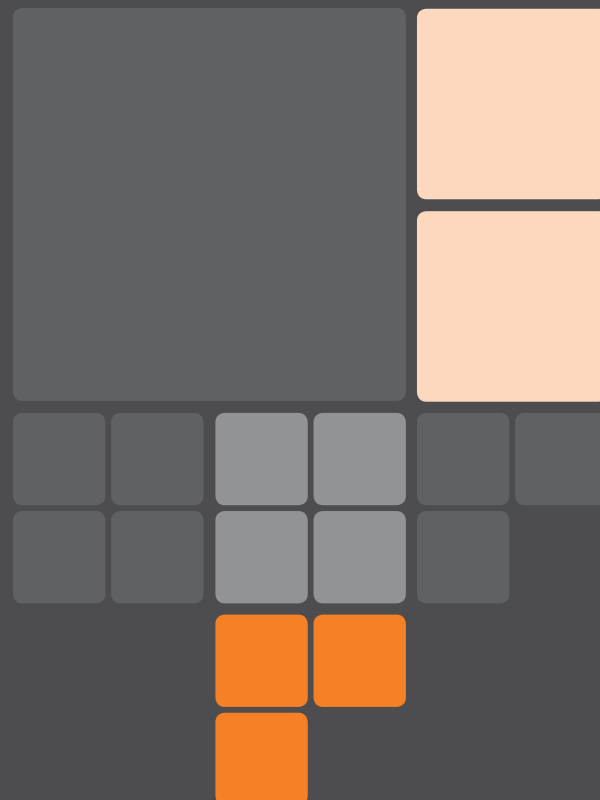




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# FINANCIAL REPORT



# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue from continuing operations	4	425,173	570,865
Cost of properties sold	5	(311,364)	(438,513)
<b>Gross profit</b>		<b>113,809</b>	132,352
Other revenue	4	6,272	6,445
Expenses, excluding finance costs	5	(80,779)	(107,143)
Finance costs	5	(13,448)	(18,462)
Share of net profits/(losses) of joint venture entities accounted for using the equity method	39(b)	3,198	(1,685)
<b>Profit before income tax</b>		<b>29,052</b>	11,507
Income tax expense	6	(8,864)	(3,399)
Profit attributable to members of Devine Limited from continuing operations		20,188	8,108
Profit from discontinued operations		-	50
<b>Profit attributable to members of Devine Limited</b>		<b>20,188</b>	8,158
		Cents	Cents
<b>Earnings per share for profit attributable to the equity holders of the company:</b>			
Basic and diluted earnings per share	42	3.2	1.8

The above consolidated income statement should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Profit for the year</b>		20,188	8,158
<b>Other comprehensive income</b>			
Changes in the fair value of cash flow hedges/reserves	30	48	(263)
<b>Total comprehensive income for the year</b>		<b>20,236</b>	7,895

The above consolidated statement of comprehensive income which shows movement in other reserves should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	31	21,556	20,045
Receivables	8	54,551	41,910
Inventories	9	130,463	181,494
Current tax receivables		-	507
Prepayments	10	633	1,957
<b>Total current assets</b>		<b>207,203</b>	<b>245,913</b>
<b>Non-current assets</b>			
Receivables	11	28,366	36,419
Investments accounted for using the equity method	39(b)	67,236	48,327
Property, plant and equipment	16	976	933
Intangible assets	17	3,316	3,316
Inventories	15	280,637	222,811
Other non-current assets	18	278	1,963
<b>Total non-current assets</b>		<b>380,809</b>	<b>313,769</b>
<b>Total assets</b>		<b>588,012</b>	<b>559,682</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	20	59,820	68,964
Interest bearing liabilities	21	28,294	26,871
Current tax liabilities		1,705	-
Provisions	22	4,255	3,555
Non-interest bearing liabilities	23	17,708	32,300
<b>Total current liabilities</b>		<b>111,782</b>	<b>131,690</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	25	105,632	82,594
Deferred tax liabilities	28	7,476	3,766
Provisions	27	1,789	1,319
Non-interest bearing liabilities	26	16,984	3,483
Derivative financial instruments	24	352	423
<b>Total non-current liabilities</b>		<b>132,233</b>	<b>91,585</b>
<b>Total liabilities</b>		<b>244,015</b>	<b>223,275</b>
<b>Net assets</b>		<b>343,997</b>	<b>336,407</b>
<b>Equity</b>			
Contributed equity	29	292,367	292,367
Reserves	30(a)	(5)	(105)
Retained earnings	30(b)	51,635	44,145
<b>Total equity</b>		<b>343,997</b>	<b>336,407</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>Total equity at the beginning of the financial year</b>		336,407	265,283
Option expense transferred to reserve	30	52	(141)
Profit for the year		20,188	8,158
Comprehensive income for the year		48	(263)
Dividends provided for or paid	7	(12,698)	-
Share issue	29	-	66,252
Transaction costs of share issue	29	-	(4,117)
Deferred tax credit recognised directly in equity	29	-	1,235
<b>Total equity at the end of the financial year</b>		<b>343,997</b>	336,407

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		471,935	613,615
Payments to suppliers and employees (inclusive of goods and services tax)		(385,650)	(446,098)
Interest received		1,798	558
Interest paid		(14,531)	(24,885)
Income taxes paid		(2,964)	(4,062)
Joint venture profit distributions received		4,845	-
<b>Net cash inflow/(outflow) from operating activities</b>	32	<b>75,433</b>	139,128
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	16	(568)	(390)
Payments for investment in land inventory		(50,106)	(10,312)
Payments for investment in joint ventures		(30,213)	(24,148)
Joint venture equity distributions received		4,873	-
Proceeds from the sale of interests in joint ventures		-	3,355
Loans to related joint ventures		(10,685)	-
Proceeds from sale of discontinued operations		-	7,600
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(86,699)</b>	(23,895)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities		-	66,252
Proceeds from borrowings		135,058	12,720
Share issue transaction costs		-	(4,117)
Repayment of borrowings		(109,583)	(170,779)
Dividends paid to company's shareholders		(12,698)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>12,777</b>	(95,924)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		20,045	736
<b>Cash and cash equivalents at end of year</b>	31	<b>21,556</b>	20,045

The above statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Devine Limited and its subsidiaries.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

### Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Devine Limited ("company") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Devine Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Devine Limited (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

#### (ii) Joint ventures

##### Joint venture operations

The proportionate interests in the assets, liabilities, revenues and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 39.

##### Joint venture entities

The interest in joint venture entities are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the entities are recognised in the consolidated income statement, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to joint venture entities are set out in note 39.

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

#### (i) Land development and resale

Revenue on the sale of land is recognised on settlement.

#### (ii) Property development

Revenue in respect of the Group's property development projects is recognised when risks and benefits of ownership transfer to a third party. Costs in relation to individual settled units are recognised in proportion to the total costs for the project and based on the percentage of revenue.

#### (iii) Single contract house and land package sales

Revenue is recognised on house and land package sales that have been sold under one contract when settlement of both the house and land occurs. This treatment contrasts with the recognition of revenue for houses and land sold under separate contracts. In this case, revenue on the land is recognised as per (i) above and revenue on the house component is recognised as per (iv).

#### (iv) Construction contracting

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the cost will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion is measured by reference to actual costs incurred to date as a percentage of estimated total costs for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

### (v) Service revenue

#### Delivery agreements

When the outcome of a delivery agreement contract to provide services can be estimated reliably, revenue is recognised by reference to the percentage of the services performed.

#### (d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

**(f) Inventories****(i) Construction work in progress**

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

In accordance with IFRS precommitment costs are expensed when incurred and only capitalised from the point at which a project receives both board approval and development approval (DA) is deemed probable or has been obtained. Advertising and marketing costs are expensed as incurred.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's construction activities in general.

**(ii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development, and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

**(g) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team.

**(h) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to net income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to net income on a straight-line basis over the period of the lease.

**(i) Business combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their fair value as at the acquisition date based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over

the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the company's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(j) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Vendor funding**

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.

**(k) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to net income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

	2011	2010
Property, plant and equipment	3-5 years	3-5 years
Computer equipment	3-5 years	3-5 years
Vehicles	3-5 years	3-5 years
Leasehold improvements	3-5 years	3-5 years



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(v)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in net income.

## (l) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## (m) Employee benefits

### (i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and provisions for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the rates paid or payable.

### (ii) Long service leave

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## (iii) Share-based payments

Share-based compensation benefits are provided via the Devine Limited Executive Option Plan. Information relating to these schemes is set out in note 34.

### *Share options granted before 7 November 2002 and/or vested before 1 January 2005*

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

### *Share options granted after 7 November 2002 and vested after 1 January 2005*

The fair value of options granted under the Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Monte Carlo simulation that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

## (n) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and any unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (i) Tax consolidation legislation

Devine Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, Devine Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

**(o) Intangible assets****(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

**(ii) Brand name**

The initial cost of the brand name was generated by virtue of the business combinations created on the occasion of the float of Devine Limited. Directors consider it to be an "Indefinite Lived" asset as defined by AASB 138 and therefore not subject to future amortisation. Directors are required to test for impairment on at least an annual basis to determine the appropriate carrying value.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

**(p) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in net income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has, at balance date, an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

**(q) Goods and Services Tax (GST)**

Revenues, expenses, assets and liabilities are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(r) Earnings per share****(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(s) Contributed equity**

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(t) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**(u) Capitalisation of borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

**(v) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(w) Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(x) New accounting standards and interpretations**

New Standards and amendments to Standards mandatory for the first time for the financial year beginning 1 July 2010 have been adopted, as listed below. The adoption of these Standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 January 2010
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2010
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] effective 1 February 2010

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial report. The Directors believe that these new or amended Standards and Interpretations do not have any material effect on the financial statements presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## (y) Parent Entity financial information

The financial information for the Parent Entity, Devine Limited, disclosed in note 14 has been prepared on the same basis as the consolidated financial statements, except as set out below.

### (i) Investments in subsidiaries,

associates and joint venture entities  
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Devine Limited. Dividends received from associates are recognised in the Parent Entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### (ii) Tax consolidation legislation

Devine Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Devine Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Devine Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Devine Limited for any current tax payable assumed and are compensated by Devine Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Devine Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

### (iii) Financial guarantees

Where Devine Limited has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### (z) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) and receivables (note 11) in the consolidated statement of financial position.

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

### (iv) Available-for-sale financial assets

Purchases and sales of investments are recognised on the date that the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

#### (aa) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- Hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents, at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.



The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 24. Movements in the hedging reserve in shareholders' equity are shown in note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

#### (ab) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

#### (ac) Changes in accounting estimates

The preparation of the financial report requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

The Board provides oversight of the overall risk management framework and liquidity risk, as well as policies covering specific areas, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### (a) Market risk

##### Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain at least 50% of its borrowings at fixed rate using interest rate derivatives to achieve this when necessary. During 2011 and 2010, the Group's borrowings at variable rate were denominated in Australian Dollars.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the table below details the impact on profit or loss of a 100 basis-point shift. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate and other derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate derivatives, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

	Impact on post-tax profit		Impact on other components of equity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated				
+1% (100 basis points)	(305)	(245)	683	663
- 1% (100 basis points)	785	273	-	-

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Bank overdrafts and bank loans	8.3%	133,926	8.4%	113,169
Value of variable rate borrowings effectively hedged		(75,000)		(100,000)
Net exposure to cash flow interest rate risk		58,926		13,169

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions to be accepted, they must be an Australian registered bank or institution recognised by the Australian Prudential Regulation Authority (APRA) as an Authorised Deposit Taking Institution (ADI)

and have an independent external rating of at least the equivalent of Standards & Poors (S&P) of BBB+. The Group's activities are centred around the development and sale of real estate (housing, residential land, residential units and retail/commercial office developments) and title does not transfer until settlement has occurred. Accordingly, there is little exposure to credit risk from the Group's individual and corporate customers. Sales to individual customers are settled predominantly with financial institutions at the time the

properties are settled. Credit risk further arises in relation to financial guarantees and vendor funding given to certain parties. Such guarantees and vendor funding are only provided in exceptional circumstances and are subject to specific board approval. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Trade receivables</b>		
Trade receivables	82,506	77,799
Other receivables	411	530
	<b>82,917</b>	<b>78,329</b>
<b>Cash at bank and short-term bank deposits</b>		
A+	1,394	-
AA	10,162	10,045
BBB+	10,000	10,000
	<b>21,556</b>	<b>20,045</b>
<b>Retentions</b>		
Not rated	<b>278</b>	<b>246</b>

## (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

### Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of each reporting period:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Floating rate</b>		
- Expiring within one year	-	100
- Expiring beyond one year	64,700	97,494
	<b>64,700</b>	<b>97,594</b>

#### Maturities of financial liabilities

The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### Contractual maturities of financial liabilities

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2011						
<b>Non-derivatives</b>						
Non-interest bearing	15,050	9,258	10,384	-	-	34,692
Variable rate	16,959	20,173	26,484	103,898	-	167,514
<b>Total non-derivatives</b>	<b>32,009</b>	<b>29,431</b>	<b>36,868</b>	<b>103,898</b>	<b>-</b>	<b>202,206</b>
<b>Derivatives</b>						
Gross settled						
- outflow	205	205	142	141	-	693
At 30 June 2010						
<b>Non-derivatives</b>						
Non-interest bearing	32,300	-	3,483	-	-	35,783
Variable rate	12,914	16,065	15,441	83,279	-	127,699
<b>Total non-derivatives</b>	<b>45,214</b>	<b>16,065</b>	<b>18,924</b>	<b>83,279</b>	<b>-</b>	<b>163,482</b>
<b>Derivatives</b>						
Gross settled						
- outflow	233	233	268	-	-	734

#### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

The following table presents the Group's assets and liabilities required to be measured and recognised at fair value at 30 June 2011.

At 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Liabilities</b>				
Derivatives used for hedging	-	352	-	352
<b>Total liabilities</b>	-	<b>352</b>	-	<b>352</b>
At 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Liabilities</b>				
Derivatives used for hedging	-	423	-	423
<b>Total liabilities</b>	-	<b>423</b>	-	<b>423</b>

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps and caps is calculated as the present value of the estimated future cash flows.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements relating to current and likely future operational activities are necessarily made from time to time. They are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed, at the time, to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the reported revenues and expenses and/or carrying amounts of assets and liabilities within the next financial year are:

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for claims and variations, the timing of profit recognition and the amount of profit recognised; and
- Calculation of the net realisable value of property development projects and land held for sale.

## 4 REVENUE

	Consolidated	
	2011 \$'000	2010 \$'000
<b>From continuing operations</b>		
Revenue from sale of properties	363,091	558,174
Revenue from related joint ventures	62,082	12,691
	<b>425,173</b>	<b>570,865</b>
Interest rate swap income	-	1,116
Interest received/receivable - other persons/bodies corporate	4,869	4,000
Rent received - other persons/bodies corporate	343	975
Sundry income - other persons/bodies corporate	1,060	354
	<b>6,272</b>	<b>6,445</b>
	<b>431,445</b>	<b>577,310</b>

## 5 EXPENSES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Expenses, excluding finance costs, included in the consolidated income statement classified by function</b>		
Cost of properties sold	311,364	438,513
Other expenses	80,779	107,143
	<b>392,143</b>	<b>545,656</b>
<b>Classification of these expenses by function</b>		
Cost of properties sold	311,364	438,513
<b>Other expenses from ordinary activities</b>		
Marketing and selling costs	39,911	51,430
Occupancy	2,312	2,757
Administration	28,036	30,839
Other	5,332	16,436
Land holding expenses	5,188	5,681
	<b>392,143</b>	<b>545,656</b>
<b>Profit before income tax includes the following specific expenses</b>		
<b>Depreciation</b>		
Plant and equipment	377	466
Display homes	148	163
<b>Total depreciation</b>	<b>525</b>	<b>629</b>
Interest and borrowing costs	13,448	18,462
Impairment of inventory on projects	(3,991)	20,475
Impairment of investment in joint venture entity	3,000	-
Provision for bad debts	81	144
Operating lease rental	731	730

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 6 INCOME TAX EXPENSE

	Consolidated	
	2011 \$'000	2010 \$'000
<b>(a) Income tax expense</b>		
Current tax	5,077	2,612
Deferred tax	3,730	949
Adjustments for current tax of prior periods	71	-
Adjustments in respect of deferred tax of prior periods	(14)	(87)
	<b>8,864</b>	<b>3,474</b>
<b>Income tax expense is attributable to</b>		
Profit from continuing operations	8,864	3,399
Profit from discontinued operations	-	75
<b>Aggregate income tax expense</b>	<b>8,864</b>	<b>3,474</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	29,052	11,507
Profit from discontinued operations before income tax expense	-	125
	29,052	11,632
Tax at the Australian tax rate of 30% (2010 - 30%)	8,716	3,490
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	-	9
Capital gain/(loss) on disposal of investment in subsidiary	-	78
Tax break on depreciable assets	-	(5)
Entertainment	75	30
Non-deductible donations	-	2
Options issued to employees	16	(43)
Under/(over) provisions from prior year	57	(87)
	<b>8,864</b>	<b>3,474</b>
<b>Income tax expense</b>	<b>8,864</b>	<b>3,474</b>
<b>(c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax - debited/(credited) directly to equity/reserves	21	1,235



## 7 DIVIDENDS

	Consolidated	
	2011 \$'000	2010 \$'000
<b>(a) Ordinary shares</b>		
<b>Previous year final dividend paid</b>		
Fully franked based on tax paid @ 30% - 1 cent (2010: nil) per share	6,349	-
<b>Interim dividend paid</b>		
Fully franked based on tax paid @ 30% - 1 cent (2010: Nil) per share	6,349	-
<b>Total dividends paid</b>	<b>12,698</b>	<b>-</b>
Paid in cash	12,698	-

### (b) Dividends not recognised at the end of the reporting period

Since year end the Directors have declared the payment of a final dividend of 1 cent per fully paid ordinary share, (2010: 1 cent) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 September 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end is:

6,349	6,349
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### (c) Franked dividends

The franked portion of the final dividend recommended after 30 June 2011 will be franked out of existing franking credits.

	2011 \$'000	2010 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	13,280	18,207

The impact on the franking account of the dividend declared by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$2,721,078 (2010: \$2,721,078).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 8 CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Trade receivables</b>		
Provision for doubtful receivables	54,195	41,524
	(55)	(144)
	<b>54,140</b>	<b>41,380</b>
Other receivables	199	227
Deposits	212	303
	411	530
	<b>54,551</b>	<b>41,910</b>

### (a) Past due but not impaired

As of 30 June 2011, trade receivables of \$2,423,000 (2010: \$6,050,000) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
< 30 days	2,241	5,597
30 - 60 days	37	299
60 - 90 days	140	136
> 90 days	5	18
	<b>2,423</b>	<b>6,050</b>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

### (b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months and an agreement has been negotiated. Collateral is not normally obtained.

### (c) Effective interest rates and credit risk

Information concerning the credit risk of both current and non-current receivables is set out in note 11.

### (d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivable is insignificant as is the fair value of any collateral sold or repledged. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

## 9 CURRENT ASSETS - INVENTORIES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Work in progress</b>		
Work in progress	17,974	21,469
	17,974	21,469
<b>Land held for sale</b>		
Acquisition	56,107	63,229
Development costs capitalised	53,943	95,049
	110,050	158,278
<b>Display homes</b>		
Display homes	2,439	1,747
	<b>130,463</b>	<b>181,494</b>

## 10 CURRENT ASSETS - PREPAYMENTS

	Consolidated	
	2011 \$'000	2010 \$'000
Prepayments	633	1,957

## 11 NON-CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2011 \$'000	2010 \$'000
Trade and other receivables	28,366	36,419

### (a) Impaired receivables and receivables past due

The non-current receivables of the Group are not considered impaired.

### (b) Fair values

The fair values and carrying amounts of non-current receivables are as follows:

	2011		2010	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Trade and other receivables	28,366	28,366	36,419	36,419
	28,366	28,366	36,419	36,419

The fair values are based on cash flows discounted using a current lending rate between 7.8% and 9.5% for trade receivables.

### (c) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does hold the relevant security in relation to the abovementioned receivables. Refer to note 2 for more information on the risk management policy of the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 12 SUBSIDIARIES

### Significant investments in subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Devine Homes Pty Ltd *	Australia	Ordinary	100	100
Devine Constructions Pty Ltd *	Australia	Ordinary	100	100
Talcliff Pty Ltd *	Australia	Ordinary	100	100
DMB Pty Ltd *	Australia	Ordinary	100	100
Pioneer Homes Australia Pty Ltd *	Australia	Ordinary	100	100
Devine Funds Pty Ltd *	Australia	Ordinary	100	100
Devine Funds Unit Trust	N/A	Units	100	100
Devine Springwood No 1 Pty Ltd *	Australia	Ordinary	100	100
Moorookyle Devine Pty Ltd *	Australia	Ordinary	100	100
111 Margaret Street Pty Ltd	Australia	Ordinary	100	100
Devine Springwood No 2 Pty Ltd	Australia	Ordinary	100	100
Devine Bacchus Marsh Pty Ltd	Australia	Ordinary	100	-
Devine Management Services Pty Ltd	Australia	Ordinary	100	-
Devine Queensland No.10 Pty Ltd	Australia	Ordinary	100	-
Devine Land Pty Ltd	Australia	Ordinary	100	-

\* These subsidiaries are relieved from preparing financial reports in accordance with Class Order 98/1418, issued by the Australian Securities and Investments Commission, as set out in note 13.

## 13 DEED OF CROSS GUARANTEE

Devine Limited and the subsidiary companies specifically referenced in note 12 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

### (a) Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Devine Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the Closed Group.

	2011 \$'000	2010 \$'000
<b>Income statement</b>		
Revenue from continuing operations	369,952	565,548
Other income	60,614	11,762
Share of net profit/(loss) in associates and joint venture partnership accounted for using the equity method	3,198	(1,685)
Expenses from ordinary activities, excluding finance costs	(391,593)	(546,143)
Finance costs	(12,569)	(18,462)
Profit/(loss) from discontinued operations	-	50
<b>Profit/(loss) before income tax</b>	<b>29,602</b>	<b>11,070</b>
Income tax expense	(9,029)	(3,399)
<b>Profit for the year</b>	<b>20,573</b>	<b>7,671</b>
<b>Summary of movements in consolidated retained profits</b>		
Retained profits at the beginning of the financial year	44,145	39,205
Profit for the year	20,573	7,671
Changes in membership of the Closed Group	-	(2,731)
Dividends provided for or paid	(12,698)	-
<b>Retained earnings at the end of the financial year</b>	<b>52,020</b>	<b>44,145</b>

**(b) Consolidated statement of financial position**

Set out below is a consolidated statement of financial position for the Closed Group consisting of the companies referred to in note 12.

	2011 \$'000	2010 \$'000
<b>Current assets</b>		
Cash and cash equivalents	21,556	20,058
Trade and other receivables	102,505	41,910
Inventories	127,499	181,494
Current tax receivables	-	507
Other	633	4,179
<b>Total current assets</b>	<b>252,193</b>	<b>248,148</b>
<b>Non-current assets</b>		
Receivables	22,458	36,419
Inventories	206,593	199,121
Investments accounted for using the equity method	67,236	48,327
Property, plant and equipment	976	933
Intangible assets	3,316	3,316
Other	278	3,445
<b>Total non-current assets</b>	<b>300,857</b>	<b>291,561</b>
<b>Total assets</b>	<b>553,050</b>	<b>539,709</b>
<b>Current liabilities</b>		
Trade and other payables	52,574	52,652
Interest bearing liabilities	20,544	22,343
Non-interest bearing liabilities	15,050	32,300
Derivative financial instruments	352	423
Current tax liabilities	2,830	-
Provisions	4,254	3,555
<b>Total current liabilities</b>	<b>95,604</b>	<b>111,273</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	105,637	84,076
Non-interest bearing liabilities	-	3,483
Deferred tax liabilities	5,637	3,151
Provisions	1,789	1,319
<b>Total non-current liabilities</b>	<b>113,063</b>	<b>92,029</b>
<b>Total liabilities</b>	<b>208,667</b>	<b>203,302</b>
<b>Net assets</b>	<b>344,383</b>	<b>336,407</b>
<b>Equity</b>		
Contributed equity	292,367	292,367
Reserves	(4)	(105)
Retained profits	52,020	44,145
<b>Total equity</b>	<b>344,383</b>	<b>336,407</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 14 PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	Devine Limited	
	2011 \$'000	2010 \$'000
<b>Statement of financial position</b>		
Current assets	248,327	301,520
Non-current assets	218,350	187,528
<b>Total assets</b>	<b>466,677</b>	<b>489,048</b>
Current liabilities	59,571	90,847
Non-current liabilities	99,631	78,392
<b>Total liabilities</b>	<b>159,202</b>	<b>169,239</b>
<b>Shareholders' equity</b>		
Contributed equity	292,367	292,367
Reserves	(4)	(105)
Retained earnings	15,112	27,547
	<b>307,475</b>	<b>319,809</b>
<b>Profit or loss for the year</b>	<b>263</b>	<b>5,911</b>
<b>Total comprehensive income</b>	<b>263</b>	<b>5,648</b>

### (b) Guarantees entered into by the Parent Entity

Devine Limited and its joint venture partner have provided a guarantee for the performance of joint ventures in relation to deferred land payments totalling \$47,513,000 over a 3 year period. This is part of the normal operations of the Group.

Devine Limited has provided a performance guarantee in relation to deferred land payments to a land owner totalling \$18,000,000 over a three year period. These obligations are expected to be settled from normal land receipts over the course of the project and no liabilities are expected to arise.

Devine Limited has guaranteed, under the terms of Class Order 98/1418, issued by the Australian Securities and Investments Commission, to pay any deficiency in the event of winding up of the controlled entities within the Group. The controlled entities have also given a similar guarantee in the event that Devine Limited is wound up. No liabilities are expected to arise. For further information, refer to note 13.

### (c) Contingent liabilities of the Parent Entity

For information about contingencies of the parent entity, refer to note 40.



## 15 NON-CURRENT ASSETS - INVENTORIES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Work in progress</b>		
Work in progress	51,541	45,130
	<b>51,541</b>	<b>45,130</b>
<b>Land held for sale</b>		
Acquisition	188,481	160,384
Development costs capitalised	40,615	17,297
	<b>229,096</b>	<b>177,681</b>
	<b>280,637</b>	<b>222,811</b>

## 16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Leased plant and equipment \$'000	Display home furniture and equipment \$'000	Plant and equipment \$'000	Total \$'000
<b>At 1 July 2009</b>				
Cost	211	534	8,018	8,763
Accumulated depreciation	(79)	(210)	(6,259)	(6,548)
Net book amount	132	324	1,759	2,215
<b>Year ended 30 June 2010</b>				
Opening net book amount	132	324	1,759	2,215
Additions	-	68	322	390
Subsidiary sold	(132)	-	(911)	(1,043)
Disposals	-	(99)	(522)	(621)
Depreciation charge	-	(163)	(466)	(629)
Depreciation charge write back on disposals	-	99	522	621
Closing net book amount	-	229	704	933
<b>At 30 June 2010</b>				
Cost	-	468	6,537	7,005
Accumulated depreciation	-	(239)	(5,833)	(6,072)
Net book amount	-	229	704	933
		Display home furniture and equipment \$'000	Plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2011</b>				
Opening net book amount		229	704	933
Additions		49	519	568
Depreciation charge		(148)	(377)	(525)
Closing net book amount		130	846	976
<b>At 30 June 2011</b>				
Cost		517	4,625	5,142
Accumulated depreciation		(387)	(3,779)	(4,166)
Net book amount		130	846	976

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 17 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Goodwill \$'000	Brand name \$'000	Management rights \$'000	Total \$'000
<b>At 1 July 2009</b>				
Cost	9,521	3,316	4,569	17,406
Accumulated amortisation and impairment	-	-	(352)	(352)
Net book amount	9,521	3,316	4,217	17,054
<b>Year ended 30 June 2010</b>				
Opening net book amount	9,521	3,316	4,217	17,054
Subsidiary sold	(9,521)	-	(4,217)	(13,738)
Closing net book amount	-	3,316	-	3,316
Cost	-	3,316	-	3,316
Accumulated amortisation and impairment	-	-	-	-

	Brand name \$'000	Total \$'000
<b>Year 30 June 2010</b>		
Opening net book amount	3,316	3,316
<b>At 30 June 2011</b>		
Cost	3,316	3,316
Net book amount	3,316	3,316

### (a) Impairment tests for goodwill and intangibles with indefinite useful lives

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations. These calculations use cash flow projections based on financial reports approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole.

## 18 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	Consolidated	
	2011 \$'000	2010 \$'000
Retention funds	278	246
Prepayments	-	1,717
	<b>278</b>	<b>1,963</b>

## 19 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated	
	2011 \$'000	2010 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Doubtful debts	17	43
Employee benefits	1,810	1,549
Provisions	797	863
Establishment fees	831	1,175
Fair value adjustment on debtors	608	1,867
Investment in associates	3,283	1,372
Accrued expenses	522	383
Tax losses	488	726
Other	6	1
Mark-to-market adjustments on derivative financial instruments	106	127
<b>Total deferred tax assets</b>	<b>8,468</b>	<b>8,106</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,468)	(8,106)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>		
Opening balance at 1 July	8,106	7,770
Deferred tax assets disposed of during the year	-	(143)
Credited/(charged) to the income statement	342	(720)
Prior year adjustments	41	(149)
Charges directly to equity	(21)	1,348
Set-off	(8,468)	(8,106)
<b>Closing balance at 30 June 2011</b>	<b>-</b>	<b>-</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 20 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2011 \$'000	2010 \$'000
Trade payables	46,993	52,857
Other payables	12,827	16,107
	<b>59,820</b>	<b>68,964</b>

## 21 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated	
	2011 \$'000	2010 \$'000
Bank loans	28,294	26,871

Information relating to assets pledged as security is set out in note 25(b).

## 22 CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2011 \$'000	2010 \$'000
Employee benefits	2,681	2,506
Repossessions	793	575
Other provisions	781	474
	<b>4,255</b>	<b>3,555</b>

**(a) Movements in provisions**

Movements in each class of provision during the financial year are set out below:

	Employee benefits \$'000	Reposs- essions \$'000	Other provisions \$'000
<b>2011</b>			
<b>Current</b>			
Carrying amount at start of year	2,506	575	474
- additional provisions recognised	2,942	350	500
- amounts incurred/(reversed)	(2,767)	(132)	(193)
Carrying amount at end of year	2,681	793	781
<b>2010</b>			
<b>Current</b>			
Carrying amount at start of year	2,976	384	675
- additional provisions recognised	3,561	488	192
- amounts incurred/(reversed)	(4,031)	(297)	(393)
Carrying amount at end of year	2,506	575	474

**23 CURRENT LIABILITIES - NON-INTEREST BEARING LIABILITIES**

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Secured</b>		
Vendor funding	17,708	32,300

**Secured loans**

Vendor funding has been advanced from suppliers of the group from time to time subject to commercial negotiations.

**24 DERIVATIVE FINANCIAL INSTRUMENTS**

	Consolidated	
	2011 \$'000	2010 \$'000
Non-current liabilities		
Interest rate - fair value hedges	352	423

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 25 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Total secured non-current borrowings</b>	<b>105,632</b>	<b>82,594</b>

### (a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Total secured liabilities</b>	<b>133,926</b>	<b>109,465</b>

### (b) Assets pledged as security

The total secured liabilities (current and non-current) are as follows:

Bank loans are secured by mortgages over the consolidated entity's inventories including developed and undeveloped land. A fixed and floating charge over all the assets of the consolidated entity is also held by the consolidated entity's principal bankers.

Vendor funding has been advanced from suppliers of the group from time to time subject to commercial negotiations.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Current</b>		
Inventory	130,463	181,494
Cash and cash equivalents	21,556	20,045
Receivables	54,551	41,910
Current tax receivables	-	507
Other assets	633	1,957
<b>Total current assets pledged as security</b>	<b>207,203</b>	<b>245,913</b>
<b>Non-current</b>		
<b>First mortgage</b>		
Inventories	280,637	222,811
<b>Floating charge</b>		
Receivables - non-current	28,366	36,419
Investments accounted for using the equity method	67,236	48,327
Plant and equipment	976	933
Intangible assets	3,316	3,316
Other non-current assets	278	1,963
<b>Total non-current assets pledged as security</b>	<b>380,809</b>	<b>313,769</b>
<b>Total assets pledged as security</b>	<b>588,012</b>	<b>559,682</b>



**(c) Financing arrangements (current and non-current)**

At balance date, the following financing facilities had been negotiated and were available:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Total facilities</b>		
Bank loans	198,626	210,763
<b>Used at balance date</b>		
Bank loans	133,926	113,169
<b>Unused at balance date</b>		
Bank loans	64,700	97,594

**26 NON-CURRENT LIABILITIES - NON-INTEREST BEARING LIABILITIES**

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Secured</b>		
Vendor funding	16,984	3,483

Vendor funding has been advanced from suppliers of the group from time to time subject to commercial negotiations.

**27 NON-CURRENT LIABILITIES - PROVISIONS**

	Consolidated	
	2011 \$'000	2010 \$'000
Employee benefits	708	657
Other provisions	1,081	662
	<b>1,789</b>	<b>1,319</b>

**(a) Movements in provisions**

Movements in each class of provision during the financial year are set out below:

	Employee benefits \$'000	Other provisions \$'000	Total \$'000
<b>Consolidated - 2011</b>			
<b>Non-current</b>			
Carrying amount at start of year - 1 July 2010	657	662	1,319
- additional provisions recognised	67	907	974
- amounts incurred/(reversed)	(16)	(488)	(504)
Carrying amount at end of year - 30 June 2011	708	1,081	1,789

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 28 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>The balance comprises temporary differences attributable to</b>		
Inventories	15,944	11,486
Income received in advance	-	386
	15,944	11,872
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	<b>(8,468)</b>	(8,106)
Net deferred tax liabilities	<b>7,476</b>	3,766

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Movements</b>		
Opening balance at 1 July 2010	11,872	11,790
Charged/(credited) to the income statement	4,072	141
Deferred tax liabilities disposed of during the period	-	(59)
Set-off	(8,468)	(8,106)
<b>Closing balance at 30 June 2011</b>	<b>7,476</b>	3,766

## 29 CONTRIBUTED EQUITY

	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
<b>(a) Share capital</b>				
Ordinary shares, fully paid	634,918,223	634,918,223	292,367	292,367

### (b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2009	Opening balance	315,486,872	228,997
	Institutional placement - Mar 2010	47,323,031	11,831
	Rights issue - Mar 2010	272,108,320	54,421
	Less: Transaction costs arising on share issue	-	(4,117)
	Deferred tax benefit/(liability) recognised directly in equity	-	1,235
30 June 2010	Balance	634,918,223	292,367
1 July 2010	Opening balance	634,918,223	292,367
30 June 2011	Balance	634,918,223	292,367

### (c) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide attractive returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group and the parent entity monitor capital adequacy on the basis of the overall gearing of the group and the unused facilities available to it.

The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Interest and non-interest bearing loans and borrowings	168,618	145,248
Less: cash and cash equivalents	(21,556)	(20,045)
	147,062	125,203
Total assets	588,012	559,682
Less: cash and cash equivalents	(21,556)	(20,045)
Assets	566,456	539,637
<b>Gearing Ratio</b>	<b>26%</b>	23%

## 30 RESERVES AND RETAINED EARNINGS

	Consolidated	
	2011 \$'000	2010 \$'000
<b>(a) Reserves</b>		
Hedging reserve - cash flow hedges	(215)	(263)
Share-based payments reserve	210	158
	(5)	(105)
<b>Movements</b>		
<b>Hedging reserve - cash flow hedges</b>		
Balance 1 July 2010	(263)	-
Revaluation - gross	69	(376)
Deferred tax	(21)	113
Balance 30 June	(215)	(263)
<b>Movements</b>		
<b>Share-based payments reserve</b>		
Balance 1 July 2010	158	299
Option expense	52	(141)
Balance 30 June	210	158
<b>(b) Retained earnings</b>		
Movements in retained earnings were as follows:		
Balance 1 July	44,145	35,987
Net profit for the year	20,188	8,158
Dividends	(12,698)	-
Balance 30 June	51,635	44,145

### (i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(aa). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 31 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2011 \$'000	2010 \$'000
Cash at bank and in hand	21,556	20,045

## 32 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Profit for the year</b>	<b>20,188</b>	<b>8,158</b>
<b>Non-cash items</b>		
Depreciation and amortisation	525	629
Interest capitalised	1,962	6,423
Non-cash employee benefits expense - share-based payments	52	-
Provision for doubtful debts	81	144
Provision for employee benefits	226	(293)
Provision for repossessions	218	191
Provision for warranties	(192)	(30)
Fair value (gains)/losses on financial assets at fair value through profit or loss	-	(1,116)
Share of (profits)/losses of joint ventures not received as dividends or distributions	1,647	1,685
Net (gain)/loss on sale of discontinued operations	-	(50)
<b>Change in operating assets and liabilities</b>		
Decrease/(increase) in trade and sundry debtors	6,097	(7,210)
Decrease/(increase) in prepayments	3,041	2,701
Decrease/(increase) in inventories	44,685	124,193
Increase/(decrease) in trade creditors and accruals	(9,018)	4,426
Increase/(decrease) in provision for income taxes payable	2,211	(469)
Increase/(decrease) in provision for deferred income tax	3,710	(254)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>75,433</b>	<b>139,128</b>

## 33 COMMITMENTS

### Non-cancellable operating leases

	Consolidated	
	2011 \$'000	2010 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,079	2,993
Later than one year but not later than five years	2,974	3,612
Later than five years	65	-
	<b>6,118</b>	<b>6,605</b>

Operating leases have an average remaining lease term of 2.5 years. Assets that are the subject of operating leases include motor vehicles and office premises.

### 34 SHARE-BASED PAYMENTS

#### (a) Executive Share Option Scheme

An executive share option scheme was established in 1998 whereby executive directors, and senior executives and managers of the consolidated entity are, from time to time, issued with options over the ordinary shares of Devine Limited.

The options, issued for Nil consideration, are issued in accordance with guidelines established by the directors of Devine Limited. The options are issued for a term of between 5 and 10 years and are exercisable beginning on the second anniversary of the date of grant. The options cannot be transferred and are not quoted on the ASX. At 30 June 2011, there were 5 senior executives and managers participating in the scheme.

Information with respect to the number of options granted under the executive share scheme is as follows:

Grant Date	Expiry date	Balance at start of the year number	Granted number	Exercised number	Expired/ Lapsed number	Closing balance number	Exercisable balance number
Consolidated - 2011							
6 Mar 2002	6 Mar 2012	500,000	-	-	-	500,000	500,000
6 Sep 2006	6 Sep 2016	161,000	-	-	-	161,000	161,000
2 Jul 2007	2 Jul 2017	233,000	-	-	-	233,000	233,000
1 Jul 2008	1 Jul 2018	868,000	-	-	(429,000)	439,000	439,000
1 Jul 2010	1 Jul 2015	-	3,320,000	-	-	3,320,000	-
Total		1,762,000	3,320,000	-	(429,000)	4,653,000	1,333,000
Weighted average exercise price		\$0.78	\$0.24	-	\$0.79	\$0.39	\$0.78

Grant Date	Expiry date	Balance at start of the year number	Granted number	Exercised number	Expired/ Lapsed number	Closing balance number	Exercisable number
Consolidated - 2010							
6 Mar 2002	6 Mar 2012	1,700,000	-	-	(1,200,000)	500,000	500,000
17 Jul 2002	17 Jul 2012	250,000	-	-	(250,000)	-	-
6 Sep 2006	6 Sep 2016	1,038,000	-	-	(877,000)	161,000	161,000
2 Jul 2007	2 Jul 2017	1,034,000	-	-	(801,000)	233,000	233,000
1 Jul 2008	1 Jul 2018	2,013,000	-	-	(1,145,000)	868,000	-
Total		6,035,000	-	-	(4,273,000)	1,762,000	894,000
Weighted average exercise price		\$0.86	-	-	\$0.82	\$0.78	\$0.77

#### Performance hurdles

When exercisable, each option is convertible into one ordinary share in Devine Limited. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

The plan rules do not contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. The Board considers that the opportunity to enter into such arrangements, given the nature of the performance hurdles, is extremely limited.

These performance hurdles are set out below:

Shareholder returns defined as "growth in share price plus dividends" must exceed either:

- (i) the growth in the ASX Small Ordinaries Industrial Accumulation Index; or
- (ii) GDP + 6%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Options issued under executive option plan	52	(141)

## 35 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Directors

The following persons were directors of Devine Limited during the financial year:

#### Chairman - Non-executive

D J Ridley

#### Executive Directors

D B Keir

#### Non-executive Directors

P J Dransfield

P J Ferris AM, KCSG

R W Parris

Hon. T M Mackenroth

G E McOrist

T G Young (appointed as director on 23 November 2010)

V A Vella

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

#### V Grayson

Company Secretary

#### P Cochrane

Chief Financial Officer

#### N Anderson

General Manager, Victoria

#### A Brimblecombe

General Manager, Queensland

#### T Conway

Manager, Apartments and Development

### J Kerr

(resigned 14 January 2011)

Manager, Devine Constructions

### S Weightman

General Manager, South Australia

## (c) Key management personnel compensation

	Consolidated	
	2011 \$'000	2010 \$'000
Short-term employee benefits	5,125,498	5,390,430
Post-employment benefits	177,633	1,444,312
Share-based payments	203,056	(457,160)
	<b>5,506,187</b>	<b>6,377,582</b>

Detailed remuneration disclosures are provided in the remuneration report in the Directors' report.

**(d) Equity instrument disclosures relating to key management personnel****(i) Option holdings**

The numbers of options over ordinary shares in the company held during the financial year by each director of Devine Limited and other key management personnel of the Company, including their related parties, are set out below:

2011	Balance at start of the year	Granted as compen- sation	Expired/ lapsed	Balance at end of the year	Vested and exercisable	Unvested
Name						
<b>Directors of Devine Limited</b>						
D B Keir	-	1,400,000	-	1,400,000	-	1,400,000
<b>Other key management personnel of the Group</b>						
V Grayson	1,020,000	800,000	-	1,820,000	1,020,000	800,000
P Cochrane	-	760,000	-	760,000	-	760,000
T Conway	313,000	-	-	313,000	313,000	-
S Weightman	184,000	-	(184,000)	-	-	-
J Kerr	245,000	-	(245,000)	-	-	-

2010	Balance at start of the year	Granted as compen- sation	Expired/ lapsed	Balance at end of the year	Vested and exercisable	Unvested
Name						
<b>Directors of Devine Limited</b>						
D H T Devine	1,533,000	-	(1,533,000)	-	-	-
K M Woodley	1,069,000	-	(1,069,000)	-	-	-
<b>Other key management personnel of the Group</b>						
P Nash	327,000	-	(327,000)	-	-	-
V Grayson	1,020,000	-	-	1,020,000	796,000	224,000
L Hartman	502,000	-	(502,000)	-	-	-
J Watson	233,000	-	(233,000)	-	-	-
T Conway	313,000	-	-	313,000	98,000	215,000
S Weightman	184,000	-	-	184,000	-	184,000
J Kerr	245,000	-	-	245,000	-	245,000



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## (ii) Share holdings

The numbers of shares in the company held during the financial year by each director of Devine Limited and other key management personnel of the Group, including their related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011			
Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
<b>Directors of Devine Limited</b>			
<b>Ordinary shares</b>			
D B Keir	70,000	-	70,000
D J Ridley	492,059	-	492,059
P J Ferris AM, KCSG	450,000	-	450,000
R W Parris	485,901	-	485,901
Hon. T M Mackenroth	209,409	-	209,409
V A Vella	738,997	-	738,997
G E McOrist	241,605	-	241,605
T G Young	-	1,052,500	1,052,500
<b>Other key management personnel of the Group</b>			
<b>Ordinary shares</b>			
V Grayson	1,000,000	-	1,000,000
A Brimblecombe	-	40,000	40,000
T Conway	16,800	-	16,800

2010			
Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
<b>Directors of Devine Limited</b>			
<b>Ordinary shares</b>			
D B Keir	-	70,000	70,000
D H T Devine	33,332,804	(32,741,286)	591,518*
D J Ridley	281,176	210,883	492,059
P J Ferris AM, KCSG	281,137	168,863	450,000
R W Parris	277,657	208,244	485,901
K M Woodley	10,734,636	(9,688,092)	1,046,544*
Hon. T M Mackenroth	119,662	89,747	209,409
V A Vella	422,284	316,713	738,997
G E McOrist	138,060	103,545	241,605
<b>Other key management personnel of the Group</b>			
<b>Ordinary shares</b>			
V Grayson	621,232	378,768	1,000,000
T Conway	16,800	-	16,800

\* these represent shareholdings of related parties at the date of the directors' resignation

## (e) Loans to key management personnel

No loans were secured or made during the year ended 30 June 2011 (2010: Nil).

## (f) Other transactions with key management personnel

Other than as disclosed in note 38, there have been no transactions with key management personnel or their related parties for the year ending 30 June 2011.

### 36 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of Devine Limited, its related practices and non-related audit firms:

	Consolidated	
	2011 \$	2010 \$
<b>Ernst &amp; Young</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	275,000	305,000
Other assurance services		
Other assurance and technical accounting services	10,500	10,500
<b>Total remuneration for audit and other assurance services</b>	<b>285,500</b>	<b>315,500</b>
<b>(ii) Taxation services</b>		
Tax compliance services	98,910	187,755
<b>Total remuneration for taxation services</b>	<b>98,910</b>	<b>187,755</b>
<b>(iii) Other services</b>		
Capital raising and restructuring	-	409,799
<b>Total auditors' remuneration</b>	<b>384,410</b>	<b>913,054</b>

### 37 EVENTS OCCURRING AFTER THE REPORTING PERIOD

A fully franked final dividend in respect of the 2011 financial year of 1 cent per share was declared by Directors on 24 August 2011 (2010: 1 cent). No provision has been recognised in the Statement of Financial Position as at 30 June 2011.

There have been no other significant events which have occurred post 30 June 2011.

### 38 RELATED PARTY TRANSACTIONS

#### (a) Parent entities

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades des Construcción y Services SA, incorporated in Spain.

#### (b) Directors

Mr R W Parris is a Director of Queensland Property Consultants Pty Ltd. Fees totalling \$54,205 (2010: \$200,915) were paid or payable to Queensland Property Consultants Pty Ltd during the year in respect of property advisory services provided to Devine Ltd and its controlled entities. These fees were determined under normal commercial terms and conditions.

#### (c) Transactions with Joint Ventures

Management fees and construction revenues were received from jointly controlled entities totalling \$61,363,000 (2010: \$12,691,000). These fees were received under normal commercial terms and conditions.

Fees of \$1,193,923 (2010: nil) were paid in respect of performance guarantees provided by a related party for certain joint venture construction activities.

#### (d) Revenue from related parties

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Revenue from related parties</b>		
Interest received/receivable from related parties	719	-
Revenue from project management services provided to joint venture projects	7,580	7,374
Revenue from construction services provided to joint venture projects	53,783	5,317
	<b>62,082</b>	<b>12,691</b>

#### (e) Loans and other receivables with related parties

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Loans and other receivables with related parties</b>		
Loans advanced to joint ventures	19,516	-
Trade receivables owing by joint ventures	13,233	5,419
	<b>32,749</b>	<b>5,419</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## (f) Guarantees

Devine Limited and its joint venture partner have provided a guarantee for the performance of joint ventures in relation to deferred land payments totalling \$47,513,000 over a 3 year period. This is part of the normal operations of the Group.

Devine Limited has provided financiers with performance guarantees in relation to settlement of unconditional pre sales for a project. No liabilities are expected to arise.

## (g) Terms and conditions

Transactions with related parties are made on normal commercial terms and conditions and at market rates.

## 39 INTERESTS IN JOINT VENTURES

### (a) Joint venture operations

	% Interest Held 30 June 2011	% Interest Held 30 June 2010
Deer Park Joint Venture	50	50
Hallets Road Joint Venture	50	50
Casey Fields Joint Venture	55	55
Henry Road Pakenham Joint Venture	50	50
Bacchus Marsh Joint Venture	50	-

The Group's interest in the joint ventures are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1 under the following classifications:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Current assets</b>	20,042	5,420
Non-current assets	16,288	25,523
<b>Total assets</b>	<b>36,330</b>	30,943
Share of assets employed in joint venture	36,330	30,943
<b>Current liabilities</b>	11,453	19,198
Non-current liabilities	24,228	11,619
<b>Total liabilities</b>	<b>35,681</b>	30,817
Share of liabilities employed in joint venture	35,681	30,817
<b>Net assets</b>	<b>649</b>	126

**(b) Joint venture entities**

At balance date, the group had equity interest in a number of joint venture entities and these are listed below. Each joint venture is a resident in Australia and their principal activity is property development.

	% Ownership interest	
	2011	2010
Hamilton Harbour Unit Trust	50	50
Townsville City Project Trust	50	50
Deep Blue Consortium Pty Ltd	45	45
Fallingwater Trust	15	15
Riverina Estate Developments Trust	50	50
VR Pakenham Trust	50	-
Kurunjang Development Trust	50	-

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Carrying value of investments accounted for using the equity method</b>	<b>67,236</b>	<b>48,327</b>

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Investments accounted for using the equity method</b>		
Current assets	86,416	4,651
Non-current assets	50,768	49,469
<b>Total assets</b>	<b>137,184</b>	<b>54,120</b>
Current liabilities	56,524	7,798
Non-current liabilities	13,732	465
<b>Total liabilities</b>	<b>70,256</b>	<b>8,263</b>
<b>Net assets</b>	<b>66,928</b>	<b>45,857</b>
<b>Share of joint venture entities' revenue, expenses and results</b>		
Revenues	12,220	9,144
Expenses	(9,022)	(10,829)
<b>Profit before income tax</b>	<b>3,198</b>	<b>(1,685)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 40 CONTINGENCIES

### Contingent liabilities

The Group had contingent liabilities at 30 June 2011 in respect of:

#### Guarantees

The Group has provided the following performance guarantees:

The Group and controlled entities have provided bank guarantees and surety bonds totalling \$46,166,010 at 30 June 2011 (2010: \$38,486,402) relating to individual land developments and other aspects of the

company's operations. The guarantees and bonds are secured by charges over the assets of the respective entities or indemnities. No liabilities are expected to arise.

The Group has provided financiers with performance guarantees in relation to settlement of unconditional pre sales for a project. No liabilities are expected to arise.

The Group also provides performance and financial guarantees in relation to land acquisitions and developments in the normal course of its business operations. No liabilities are expected to arise.

Details of performance guarantees entered into by the parent entity, Devine Limited, relating to various land purchase commitments, are disclosed in note 14.

#### Litigation

There are a number of matters that are the subject of litigation or potential litigation with several different parties. It is expected that these matters will be resolved with no material cost being incurred by the Company.

## 41 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers.

The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team.

	Housing and Land \$'000	Property Development \$'000	Corporate / Other \$'000	Consolidated Total Continuing Operations \$'000
2011				
Total sales revenue	367,525	57,648	-	425,173
Interest revenue	417	2,569	1,882	4,868
Other revenue	55	320	1,029	1,404
<b>Total segment revenue</b>	<b>367,997</b>	<b>60,537</b>	<b>2,911</b>	<b>431,445</b>
<b>Segment result</b>	<b>31,255</b>	<b>1,225</b>	<b>(3,428)</b>	<b>29,052</b>
Profit before income tax				29,052
Income tax expense				(8,864)
<b>Profit for the year</b>				<b>20,188</b>
<b>Segment assets</b>	<b>395,051</b>	<b>164,333</b>	<b>28,628</b>	<b>588,012</b>
<b>Segment liabilities</b>	<b>49,322</b>	<b>79,793</b>	<b>114,900*</b>	<b>244,015</b>
<b>Other segment information</b>				
Investments in associates and joint ventures	3,250	63,986	-	67,236
Share of net profits/ (losses) of associates and joint ventures	4,724	(1,526)	-	3,198
Interest expense included in segment result	11,734	1,714	-	13,448
Depreciation and amortisation expense	335	45	145	525
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	183	105	280	568

\* reflects borrowing by the Group and made available to operating divisions as required to fund operations (excluding specific project funding).

2010	Housing and Land \$'000	Property Development \$'000	Corporate / Other \$'000	Total Continuing Operations \$'000	Discontinued Operation - Body Corporate Management \$'000	Consolidated \$'000
Total sales revenue	448,566	122,299	-	570,865	2,197	573,062
Interest revenue	173	3,053	774	4,000	-	4,000
Other revenue	88	990	1,367	2,445	10	2,455
<b>Total segment revenue</b>	<b>448,827</b>	<b>126,342</b>	<b>2,141</b>	<b>577,310</b>	<b>2,207</b>	<b>579,517</b>
<b>Segment result</b>	<b>33,616</b>	<b>(17,969)</b>	<b>(4,140)</b>	<b>11,507</b>	<b>125</b>	<b>11,632</b>
Profit before income tax				11,507	125	11,632
Income tax expense				(3,399)	(75)	(3,474)
<b>Profit for the year</b>				<b>8,108</b>	<b>50</b>	<b>8,158</b>
<b>Segment assets</b>	402,172	131,888	25,622	559,682	-	559,682
<b>Segment liabilities</b>	97,546	53,861	71,868*	223,275	-	223,275
<b>Other segment information (included in the above)</b>						
Investments in associates and joint ventures	5,749	42,578	-	48,327	-	48,327
Share of net profits/ (losses) of associates and joint ventures	1,030	(2,715)	-	(1,685)	-	(1,685)
Interest expense included in segment result	12,925	5,537	-	18,462	-	18,462
Depreciation and amortisation expense	431	34	164	629	-	629
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	217	45	128	390	-	390

\* reflects borrowing by the Group and made available to operating divisions as required to fund operations (excluding specific project funding).

**(b) Segment information provided to the senior executive management team.**

The Company operates in only one geographic segment; Australia.

**(c) Other segment information**

Revenues of \$53,782,950 (2010: \$5,317,200) have been included in revenue as derived from the construction of the Hamilton Harbour project. These revenues are attributable to the Property Development segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2011

## 42 EARNINGS PER SHARE

	Consolidated	
	2011 Cents	2010 Cents
<b>(a) Basic and diluted earnings per share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the company	3.2	1.8
<b>(b) Reconciliations of earnings used in calculating earnings per share</b>		
	Consolidated	
	2011 \$'000	2010 \$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share from continuing operations	20,188	8,108
from discontinued operation	-	50
	20,188	8,158
<b>(c) Weighted average number of shares used as the denominator</b>		
	Consolidated	
	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	634,918,223	460,175,391
Options	3,320,000	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	638,238,223	460,175,391

Options granted to employees are only included in the determination of diluted earnings per share to the extent they are considered potentially dilutive.

# DIRECTORS' DECLARATION

30 June 2011

In the directors' opinion:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity set out on pages 42 to 82 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, 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, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 13.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**D J Ridley**  
Chairman

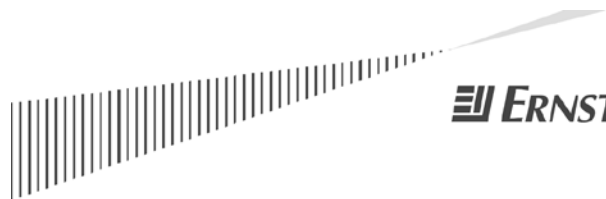


**D B Keir**  
Managing Director

Brisbane  
8 September 2011



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



**ERNST & YOUNG**

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## Independent auditor's report to the members of Devine Limited

### Report on the financial report

We have audited the accompanying financial report of Devine Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Liability limited by a scheme approved  
under Professional Standards Legislation



### **Opinion**

In our opinion:

- a. the financial report of Devine Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### **Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Opinion**

In our opinion, the Remuneration Report of Devine Limited for the year, ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

*Ernst & Young*  
Ernst & Young

*Alison de Groot*

Alison de Groot  
Partner  
Brisbane  
8 September 2011

# SHAREHOLDER INFORMATION

30 June 2011

The shareholder information set out below was applicable as at 18 August 2011.

## A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Holding	Class of equity security			
	Ordinary shares		Executive options	
	Holders	No. of shares	Holders	No. of options
1 - 1,000	403	91,579	-	-
1,001 - 5,000	849	2,494,422	-	-
5,001 - 10,000	667	5,225,811	-	-
10,001 - 100,000	2,056	71,620,718	-	-
100,001 and over	378	555,485,693	5	4,653,000
	4,353	634,918,223	5	4,653,000

There were 750 holders of less than a marketable parcel of ordinary shares (\$500).

## B. EQUITY SECURITY HOLDERS

### Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Leighton Residential Investments Pty Ltd	317,817,555	50.06
Brazil Farming Pty Ltd	30,779,183	4.84
Citicorp Nominees Pty Ltd	17,892,947	2.82
HSBC Custody Nominees (Australia) Pty Ltd	16,540,261	2.61
JP Morgan Nominees (Australia) Pty Ltd	16,055,410	2.53
National Nominees Limited	13,571,861	2.14
Leagou Funds Management Pty Ltd	7,261,925	1.15
Wenola Pty Ltd	4,310,000	0.68
Balzac Investment Pty Ltd	3,982,779	0.63
Wilmar Enterprises Pty Ltd	3,900,000	0.61
Queensland Investment Corporation	3,828,120	0.60
Contemplator Pty Ltd	3,600,000	0.57
Ruminator Pty Ltd	2,484,082	0.39
Mr Hugh Green & Ms Maryanne Green & Mr Robert Narev	2,370,000	0.37
South Seas Holdings Pty Ltd	2,187,000	0.34
RAC & JD Brice Superannuation Pty Ltd	2,097,041	0.33
Mr David Graham Lethbridge & Mrs Margaret Hilda Lethbridge	1,803,080	0.28
Mr Stephen Fahey & Mrs Lynette Fahey	1,742,862	0.27
Golden Venture Pty Ltd	1,542,156	0.24
UBS Nominees Pty Ltd	1,502,812	0.24
	455,269,074	71.70

## C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Number held	Percentage of issued shares
Ordinary shares		
Leighton Residential Investments Pty Ltd	317,817,555	50.06%

## D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

### (a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

# FIVE YEAR FINANCIAL SUMMARY

	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000
Revenues from ordinary activities	547,972	577,519	427,734	570,865	425,173
Profit/(Loss) from ordinary activities before Interest & Tax	68,725	68,226	36,961	29,969	42,500
Profit/(Loss) from ordinary activities before Tax	29,872	45,306	20,630	11,507	29,052
Profit/(Loss) from discontinued operations before Tax	1,023	-	928	125	-
Profit/(Loss) after Tax	21,367	31,850	16,699	8,158	20,188
Net profit (loss) attributable to members of Devine Ltd	21,367	31,850	16,699	8,158	20,188
Dividends declared, paid or provided for	11,124	20,902	20,250	-	12,698
Retained earnings	28,590	39,538	35,987	44,145	51,635
Total assets	454,100	759,393	673,184	559,682	588,012
Net assets/shareholders equity	176,884	251,574	265,283	336,407	343,997
Net tangible assets	173,568	234,689	248,229	333,091	340,681
Number of ordinary shares on issue ('000)	236,837	285,701	315,487	634,918	634,918
Net tangible assets per ordinary share (cents)	73.3	82.1	78.7	52.5	53.7
Earnings per ordinary share (cents)	14.3	12.1	4.9	1.8	3.2
Dividends per ordinary share (cents)					
Interim	4.0	4.0	3.0	-	1.0
Final	4.0	4.0	-	1.0	1.0
Total	8.0	8.0	3.0	1.0	2.0
Closing share price (cents)	139.0	80.5	44.0	23.5	25.0
Return on shareholders equity (%)	24.8 *	14.3 *	6.3	2.7 **	5.9
Dividend yield % (before grossed up effect of franking credits)	5.8	9.9	6.8	4.3	8.0
Price/earnings ratio (times)	9.7	6.7	9.0	13.1	7.8

\* Based on the weighted average shareholders equity for the year given the injection of \$62,524,982 of additional equity from the rights issue on 18 December 2007 ( 2007: 95,577,961 additional equity - issue to Leighton Residential Investments Pty Ltd ) .

\*\*NTA and EPS have been affected by issue of shares for Rights Issue and Institutional Placement in March 2010.



# CORPORATE DIRECTORY

30 June 2011

## DIRECTORS

D J Ridley (Chairman)  
D B Keir (Managing Director and CEO)  
P J Ferris AM, KCSG  
P J Dransfield  
Hon. T M Mackenroth  
G E McOrist  
R W Parris  
T G Young (appointed 23 November 2010)  
V A Vella

## CHIEF FINANCIAL OFFICER

P V Cochrane

## COMPANY SECRETARY

V N Grayson

## NOTICE OF ANNUAL GENERAL MEETING

will be held at

The annual general meeting of Devine Limited  
Customs House

399 Queen Street, Brisbane

time 10.30am

date 28 October 2011

## REGISTERED OFFICE IN AUSTRALIA

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

## PRINCIPAL PLACE OF BUSINESS

Level 18, 175 Eagle Street  
Brisbane, Queensland 4000

## SHARE REGISTRAR

Computershare Investor Services Pty Limited  
117 Victoria Street  
West End, Queensland 4101  
Telephone: 1300 787 474

## AUDITOR

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

## SOLICITORS

McCullough Robertson

## PRINCIPAL BANKERS

Australian and New Zealand Banking Group Limited

## STOCK EXCHANGE LISTINGS

Devine Limited (DVN) shares are listed on the Australian Securities Exchange

## WEBSITE ADDRESS

devine.com.au



**Devine**  
GROUP

**Devine Limited**

ABN 51 010 769 365

**Head Office**

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Brisbane, Qld 4000

**Registered Office**

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