

ANNUAL REPORT 2011-12

BUILDING



DevineTM
GROUP

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 18th September 2012.

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

THE PROPERTY SECTOR HAS UNDERGONE
A CORRECTION AS A RESULT OF THE
INFLUENCE OF GLOBAL MARKETS.

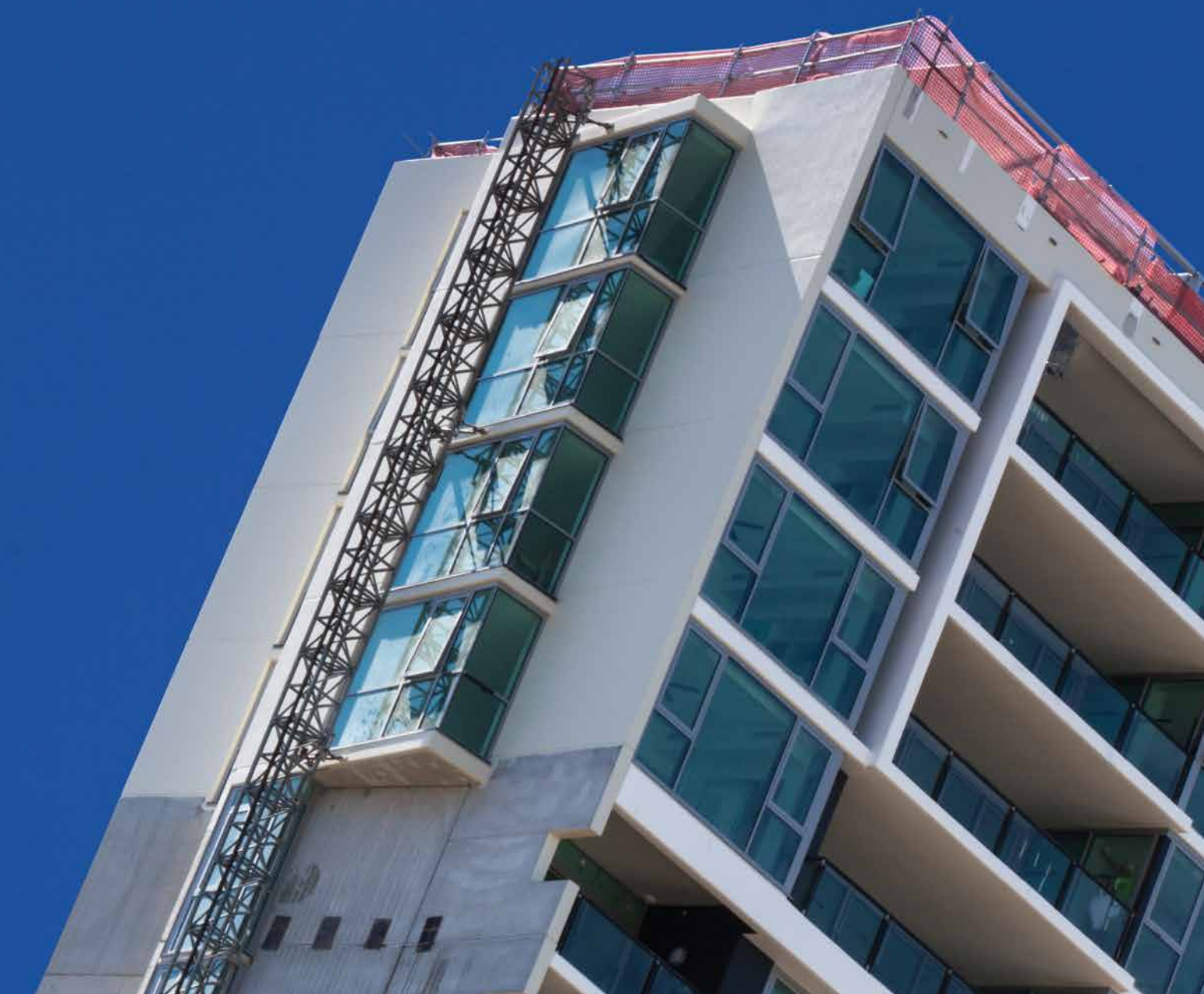
THESE TIMES CAN BE CHALLENGING -
THEY CREATE OPPORTUNITIES THAT SEPARATE
THE STRONG FROM THE ACCEPTING.

DEVINE HAS ACTIVELY PLANNED AND
PREPARED PROJECTS WHICH WILL ENABLE IT
TO TAKE FULL BENEFIT OF THE UPWARD
SWING AS IT OCCURS.

**WE PREPARED FOR IT,
WE ARE STRONGER BECAUSE OF IT,
WE ARE BUILDING ON IT.**

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CHAIRMAN'S REPORT



My report which follows details some of the key financial results for the 2011/12 financial year and also provides an update on some of the important activities and initiatives that were undertaken during the year.

RESULTS

The Company has reported an underlying profit after tax of \$11.1 million for the year ended 30 June 2012. This result reflects the challenging trading conditions that the industry faced over the last year and was in line with updated guidance which was provided to the market in June 2012.

As further evidence of the difficult market conditions and their impact on property values, Directors considered it appropriate to take up impairments totaling \$24.0 million after tax with this resulting in a statutory loss for the 2011/12 year of \$12.9 million. The impairments related to four Queensland property assets, two of which are residential projects currently under development and two are future development assets. Directors believe that these assets are unlikely to realise their carrying value in the short to medium term.

Other key result outcomes for FY12 were:

- Underlying earnings per share for the year of 7.0 cents (statutory EPS (8.1) cents;
- A 2.0 cent per share fully franked final dividend was declared and was paid on 28 September bringing the

full year dividend to 4.0 cents per share fully franked;

- Net assets of \$321.5 million at 30 June 2012 resulting in a net tangible asset backing per share of \$2.00; and
- A strong balance sheet was maintained with gearing at 30 June 2012 of 28%.

TRADING CONDITIONS AND OPERATING HIGHLIGHTS

FY12 was another challenging year for the residential property development and housing sectors with weak demand and low consumer confidence having an adverse impact on total volumes. Contributing to these macro settings were the uncertain economic and employment conditions in Australia and ongoing concerns about economic conditions overseas. As noted in the report to shareholders for the December 2011 half-year, banks and valuers have remained cautious and this has put added pressure on margins and on securing finance for customers.

Despite these conditions, a number of milestones and operating highlights were achieved during the year. These included:

- Settlement of 425 apartments at the Company's flagship Hamilton Harbour project enabled by the completion of construction by Devine Constructions of the first two residential towers in November 2011;

- Devine Constructions commencing construction in May 2012 on the first commercial building at Hamilton Harbour and is scheduled to complete the third residential tower ahead of schedule;
- Securing development approval for a \$1.4 billion master planned residential community in Gladstone;
- A strategy of securing "wholesale build" contracts to build houses and retirement units for corporate clients gained momentum with a total of 490 houses and retirement units being contracted over the past 12 months with these to be delivered over the next 1-2 years;
- Marketing commencing in March 2012 on the Company's 111 apartment development at Teneriffe, an inner suburb of Brisbane; and
- Devine's development pipeline totaling approximately 14,500 equivalent lots at the end of June 2012. This puts Devine in a strong position to capitalise on an upturn in the residential sector expected over the next few years. Any future growth in the pipeline will be undertaken in a capital efficient manner ensuring a strong balance sheet is maintained.

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

CAPITAL STRUCTURE & DEBT FACILITIES

At the Company's 2011 AGM, shareholders approved a 4 to 1 consolidation of Devine's shares whereby shareholders would receive one new share in Devine Limited for every four pre-consolidation shares held. This was completed in November 2011 with the number of Devine Limited fully paid ordinary shares on issue now standing at 158.7 million (634.9 million pre-consolidation).

As was detailed in the Notice of Meeting for the 2011 AGM, it is important to note that the consolidation of shares did not affect the voting entitlements or percentage interest held by each shareholder.

The company successfully renegotiated and extended its core debt facilities during the year. The \$175 million "evergreen" multi option facility with ANZ was extended out to October 2014 and the Company enjoys a positive operating relationship with the bank. Cash and undrawn facilities stood at \$87.7 million at 30 June 2012.

BOARD AND GOVERNANCE

In early June 2012, Mr Doug Ridley advised that it was his intention to step down from the role of Chairman effective 30 June 2012 and I was elected by my fellow Directors to the role of Chairman effective on that date.

It is with much sadness that I advise that Mr Peter Ferris AM, who retired from the Board after the 2011 AGM after serving 18 years as a Director and Chairman of the Audit and Risk Committee, passed away on 1 May 2012. Condolences were extended on behalf of the Company to Peter's wife and family.

As a result of the above changes, Mr Graeme McOrist who was already a non-executive Director member of the Audit and Risk Committee was elected to the position of Chairman of that committee and Mr Rick Parris who had previously served on the Committee, and who has been a Director of Devine since 1993, was re-appointed to fill the vacancy.

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.

The Company acknowledges the corporate benefits that flow from advancing employee and Board diversity, in particular gender diversity. The Board is committed to fostering a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management. The Company's Diversity Policy also provides a process for the Board to decide measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals. Please refer to the Corporate Governance Statement which appears later in the Annual Report for further details.

STRATEGY

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

Growth priorities will be focused on innovative product offerings in the Company's housing business, continuing to capitalise on "wholesale build" opportunities, replenishing land stocks in a capital efficient manner in key growth corridors, re-entering the Sydney market and diversifying the Devine Constructions business by securing selected build contracts for external customers.

OUTLOOK

The number of dwelling commencements in Australia for the 2011/12 year, which is currently estimated to be 136,800, remains low by historical standards when compared with the average of 153,098 commencements per annum in the preceding five years. Whilst still early, there are some tentative signs that the housing market is improving in south-east Queensland. However, following the withdrawal of the additional state government first homebuyer "boost" in Victoria and its reduction in South Australia, market conditions in those two states remain soft. Demand in the Gladstone market remains robust and there has been a noticeable lift in the Townsville housing market in the first half of this calendar year.

The Company had a strong carryover of pending housing starts and land settlements at year end together with a strong level of pre-sales in the third residential tower at Hamilton Harbour. Completion of this tower is scheduled to occur in late 2012 with settlements starting shortly thereafter. While competition remains strong in the apartments market in the inner Brisbane suburbs, Devine is confident that the remaining unsold stock at Hamilton Harbour and the Company's new project at Teneriffe will be absorbed over FY13.

Directors expect Devine's core markets in Queensland, Victoria and South Australia to start showing improvement through 2013 as the combined impact of lower interest rates, improved housing affordability and historically low unemployment help to improve sentiment towards residential property. However, until the timing and strength of the expected recovery is confirmed, it is very difficult to provide profit guidance for FY13 with any degree of certainty.

CONCLUSION

Directors and the senior management team believe that the strategy which is in place for the Company will deliver improved earnings and returns for shareholders when market conditions improve. The Company's pipeline of future projects are well located in growth corridors and are in markets that will respond first to an upturn in activity levels when it occurs.

In closing, I acknowledge that the Company, its shareholders and your Board are well served by a talented, supportive and loyal team of managers and employees and I want to extend to them our appreciation for their efforts. I also acknowledge the contribution made by Mr Doug Ridley during his time as Chairman and also the contribution made by my fellow Directors and thank them on his behalf for their commitment and support over the last year.



Peter Dransfield
Chairman

MD & CEO REPORT



In the 2012 year, Devine has pursued a focused strategy of building the diversity of our geographic operations, product lines and consumer markets. Our resilient business model underpinned a sound result that was achieved in the face of prolonged market weakness. As well as pursuing diversity, we worked hard during the year to reduce our overheads and streamline our processes.

Devine delivered an underlying profit after tax of \$11.1 million for the year to 30 June 2012, but a full year statutory after tax loss of \$12.9 million, including an impairment charge of \$24.0 million after tax against a number of assets.

A key operational achievement was the settlement of 425 apartments in Harbour One and Harbour Two at Hamilton Harbour in Brisbane, where we have also accelerated construction of the third residential tower, Riverside Hamilton.

At our other major Brisbane apartment project, DoubleOne 3, we achieved strong pre-sales between its March launch and June 30.

It was an active year for Devine, with 754 residential lots settled and construction on 486 houses started, while seven new community developments and one new apartment project were launched, of which three contributed to the full year 2012 result. We also refreshed our retail housing platform with a new product range and price points across all regions.

Devine Constructions also had a strong year, earning \$112.1 million in revenue and being appointed to deliver a commercial building at Hamilton Harbour and to refurbish the Queensland Nurses' Union headquarters. They were also recipients of the prestigious national construction award from the Australian Institute of Building for Professional Excellence in Building on stages one and two of Hamilton Harbour.

DEVINE COMMUNITIES

This was another challenging year for property and residential markets with weak demand and softening property prices. Interest rate cuts have not been effective in improving the sentiment of buyers and this has been aggravated by banks and valuers who have also remained cautious, placing pressure on the capacity of some buyer segments to secure finance.

In 2011/12, Devine launched seven new land communities with a further four forecast for the year to June 30, 2013. This activity has broadened the company's geographic exposure in key growth corridors.

One of the major highlights for Devine's residential communities was securing development approval for the \$1.4 billion Riverstone Rise master planned community in Gladstone, Queensland. The 496 hectare community was launched in February and the first two stages are already sold out. The community will become home to over

7,500 people over the next 12 to 15 years and will be a landmark project that provides a new benchmark to the booming Gladstone region. The project will contribute to 2012/13 earnings.

Devine has also established home building operations in Gladstone and has already been successful in both the retail and wholesale markets with contracts to build homes for mining giant QGC as well as local purchasers.

In Victoria, Devine Communities managed a number of major achievements including the naming of its Arndell community at Truganina as the best residential community development at the Victorian UDIA Awards. We also received the first settlements on our flagship Stonehill community at Bacchus Marsh and enhanced our capital efficiency with the introduction of a joint venture partner to our 871 lot project at Wallan.

In South Australia, we successfully launched our Orleana Waters project and have sold around 90 percent of the first two stages.

Across the communities business, Devine's diversity strategy is playing to the market's desire for choice. With an average lot size 15 percent smaller than that of some larger land developers, we have a decisive affordability advantage. The business has a strong pipeline of secured sales that will settle in 2012/13.

DEVINE HOMES

Market conditions adversely impacted our housing operations with 486 homes commenced through the year. Looking forward, we have a healthy pipeline with in excess of 400 housing starts planned for 2012/13 as a result of strong sales prior to the conclusion of the first home buyer stimuli and contribution from our wholesale building operations. Wholesale building operations have also established a strong pipeline of work with 490 new dwellings to be delivered over the next two years.

Meanwhile, new partnerships established in 2012 will give Devine access to more building opportunities with land access agreements in trading corridors where Devine does not currently operate.

Our expanded small lot and medium density range is continuing to be launched with strong sales to support the market's desire for quality, affordable homes. Our focus has remained on affordability as this remains central to consumer buying trends.

Interest rate cuts and wage growth have improved home affordability in the past year and, with increasing rents, this has narrowed the cost gap between renting and buying.

The business remains well positioned to service the market for affordable housing, with Devine's homes having a strong reputation in the sector. We are also providing more affordable product with more compact housing solutions such as a \$265,000 house and land package in Melbourne.

DEVINE APARTMENTS AND MIXED USE

The highlight for Devine Apartments during the period was the settlement of 425 apartments in Hamilton Harbour's first two towers representing 90 percent of total apartments available. The third residential tower is scheduled to commence settlements from December 2012 and almost 70 percent of this tower was under contract at 30 June.

DoubleOne 3, our \$58 million apartment project in inner Brisbane, was launched in March 2012 and currently is in excess of 50 percent sold. Construction on the project will commence in early 2013.

Our option agreement with Marquette Properties for a commercial tower on the company's Camelot site in the Brisbane CBD has been extended with an announcement of tenancies expected later this year.

After a prolonged period of weakness, the Brisbane apartment market has stabilised with successive quarters of good volume sales. We expect that the appeal of low interest rates, low vacancy rates and increasing rental yields will see the return of locally-based investors to the Brisbane apartment market and we are well positioned to capitalise on this. Our locations have a strong market appeal based on surrounding amenity and a product design and mix that appeals to the most active buying segments.

DEVINE CONSTRUCTIONS

The highlight of the year for Devine Constructions was the successful completion and handover of the first two residential towers at Hamilton Harbour which enabled settlements to commence in the first half of FY12.

Because of their accelerated construction progress at Hamilton Harbour's third residential tower it is set to deliver profits in 2012/13. Based on their strong performance, Devine Constructions has also been appointed to deliver a commercial building at Hamilton Harbour with completion forecast for the second half of FY13.

It has also secured the Queensland Nurses' Union office refurbishment project and, subject to satisfactory pre-sales, it will undertake the construction of our DoubleOne 3 project in early 2013. It is a testimony to the quality outcomes achieved by the division and its growing reputation in this sector that Devine Constructions now receives regular invitations to participate in tendering for external project opportunities.

COMPANY OUTLOOK AND FOCUS

In the coming year, Devine will continue to focus on building a resilient business by pursuing a diversity strategy. This multi-layered market reach provides a point of difference to other businesses in the residential sector which are more vulnerable to the downturn of particular regions and market segments.

Continued development of new product and our geographic growth plan will further strengthen our penetration in key trading corridors. Devine's current platform enables the business to grow in multiple directions.

In the coming year we will continue to be active in many geographic markets with operations across Queensland, Victoria and South Australia and an anticipated re-entry into New South Wales. We plan to target a number of different market segments including First Home Buyers, Investors and Up-graders as well as servicing the retirement sector via our wholesale building operations.

We have secured a strong development pipeline of diverse and strategically located sites with a total yield of approximately 14,500 equivalent lots. This 'market ready' backlog will permit us to capitalise on the upturn in residential markets in the coming years.

In our future growth we intend to preference capital efficient structures to ensure the balance sheet remains strong while our 'speed to market' delivery capability is already achieving results in new project launches and we are also undertaking product development to meet market needs.

Looking forward, we aim in 2012/13 to leverage upon the strength of our diversity in geographic operations, product lines and markets to continue to support our business performance. We have several projects to drive earnings, and a strong pipeline providing attractive medium-to-long term growth opportunities. Our strong balance sheet, low gearing and diversification position us well for future growth when the market improves.

I would like to acknowledge the entire Devine team for their hard work and commitment over the past 12 months. We have a dedicated, passionate and innovative team that will continue to drive success for all stakeholders.



David Keir
Managing Director and CEO

BUILDING ON SUCCESS



HAMILTON HARBOUR SAILS ON SUCCESS

Hamilton Harbour has secured its spot amongst the most successful apartment projects in Brisbane, with 425 settlements within the first two towers in 2012/13.

The development has also secured additional sales (not yet settled) including a penthouse valued at \$1.7 million. Overall, the first two towers have sold 91 percent of apartments, while the third tower, Riverside Hamilton, has sold almost 70 percent and is quickly nearing realisation.

General Manager Apartments and Developments, Cameron Mana, said, Hamilton Harbour's ongoing success signalled renewed confidence in the Brisbane property market.

"Hamilton Harbour's first two towers were forerunners in recent off-the-plan apartment sales and are now home to hundreds of residents.

"We're encouraged with the strong pre-sales on the third tower, Riverside Hamilton, which will welcome its first residents in the coming months and deliver the final release of the project's 660 apartments," Cameron said.

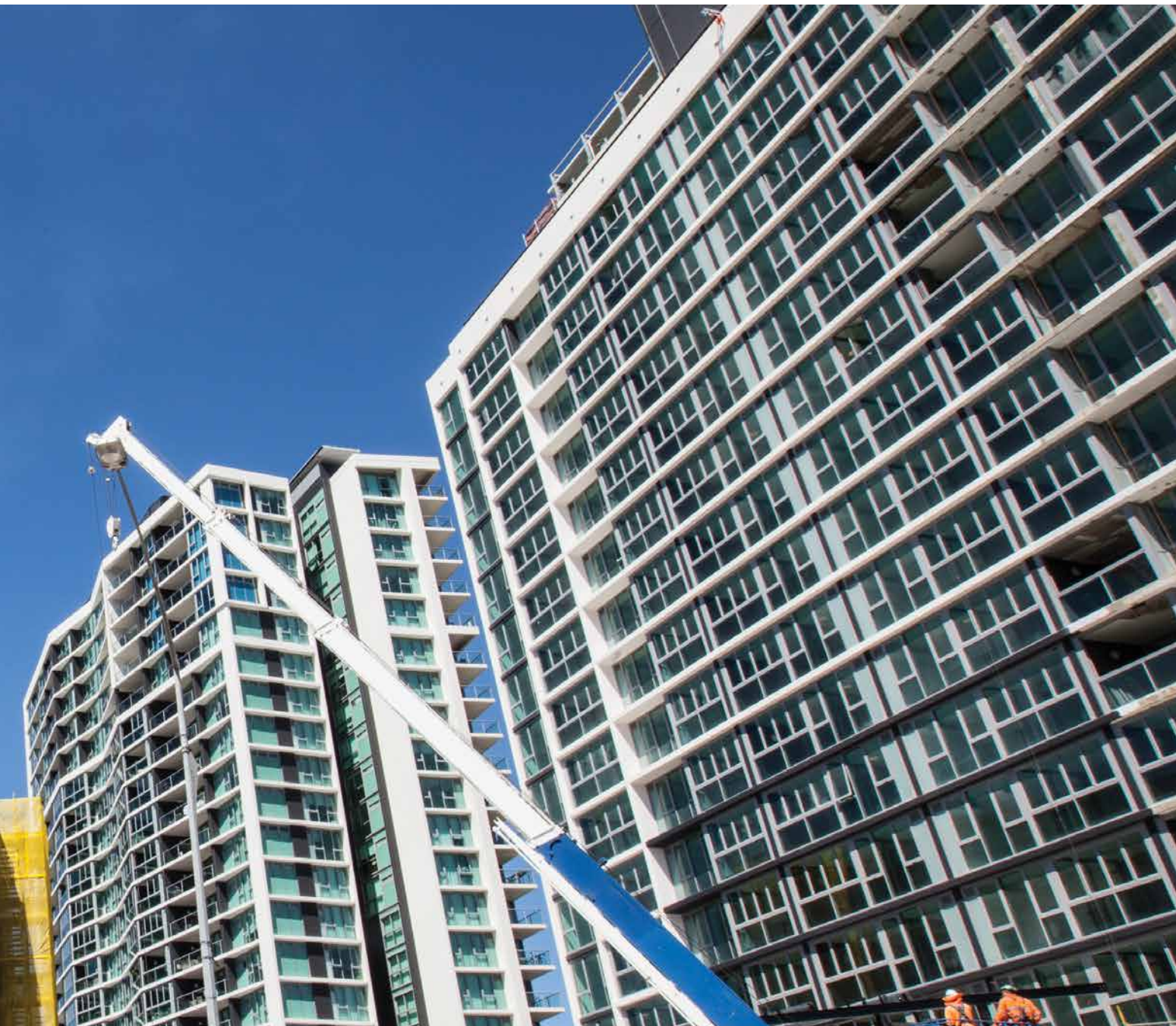
The development's strategic location close to Brisbane's CBD, public transport and domestic and international airports has seen local buyers as the driving force behind Harbour One and Harbour Two's sales success.

Devine Constructions' accelerated construction program on Hamilton Harbour's first commercial building, KSD1, has allowed for the timely delivery of the mixed use precinct, which will now welcome its first retail and commercial tenants in early 2013.

Woolworths has signed on as key anchor tenant and Domino's Pizza Enterprises Limited as the first major commercial tenant.

Woolworths has signed a 12 year lease on 1,126sqm of prime retail space at the riverside location and will move into the precinct in 2013.

(Above) Construction on Hamilton Harbour's KSD1 commercial building is advancing toward an early 2013 completion.



DOUBLEONE 3 DELIVERS

Commercial tenant demand for KSD1 has also been positive, with the Brisbane fringe office market experiencing a strong demand and tightening of vacancy.

Dominos has secured 2,513sqm of commercial office space across two of the building's five levels in a 15 year lease for its headquarters. One hundred and forty Domino's staff will move to KSD1 in early 2013 with the new space providing additional room to grow.

The completion of KSD1 will coincide with the opening of a new retail and shopping hub in the high street boulevard offering restaurants, convenience and boutique shopping.

Devine's \$58 million apartment project, DoubleOne 3 Apartments Teneriffe, continues to set the sales pace for new developments in Brisbane.

Fifty percent of DoubleOne 3 is now sold, with buyers attracted to its high-quality, affordable apartments and its city fringe location in Teneriffe.

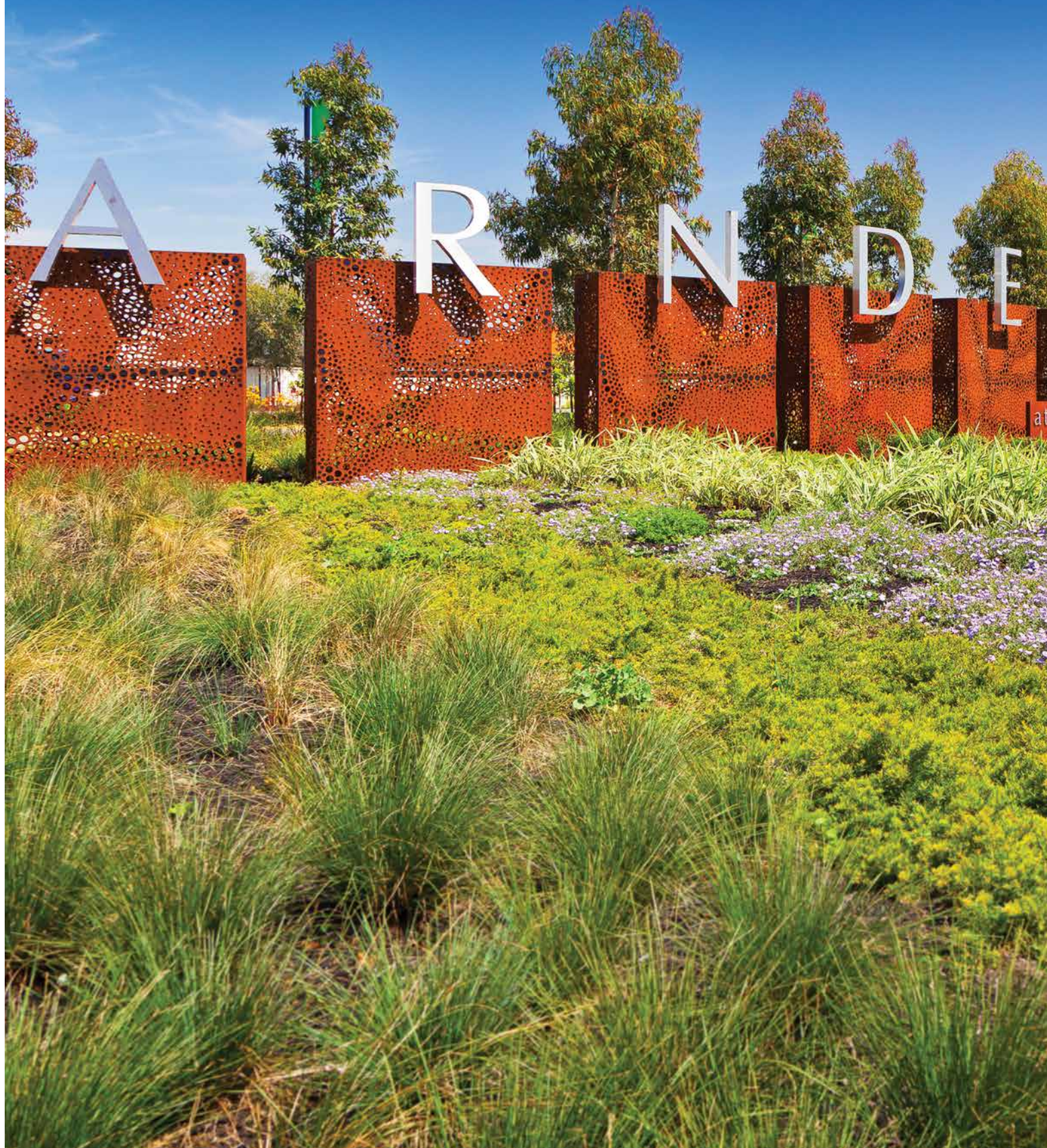
General Manager Apartments and Developments, Cameron Mana, said, DoubleOne 3 offered strong investment potential for buyers due to its blue-chip location.

"According to REIQ figures, home prices in the New Farm area, including Teneriffe, had increased over 6.5 percent in the 12 months to June 2012 and record low rental vacancy rates were also forecast for the area.

"High income earning young professionals, retired 'empty nesters' and young families are particularly interested in the area, however vacancy rates are nearing a record low rental shortage of one percent in 2013.

"Coupled with a limited release of new stock of apartments and a recorded five percent price growth for apartments, DoubleOne 3 is the perfect option for buyers keen to invest in the area or for owner-occupiers wanting to benefit from both luxury and value," Cameron said.

BUILDING REPUTATION



DEVINE CONSTRUCTIONS UPHOLDS REPUTATION FOR EXCELLENCE

Hamilton Harbour and Devine Constructions have once again been recognised by the Australian Institute of Building (AIB) Professional Excellence in Building Awards, winning the national and state categories for residential construction over \$100 million, including a high commendation.

The award reflects the highest standards of professional building and construction management, with the achievement now a second consecutive accolade after Devine Constructions' 333 Ann Street construction project won national and state AIB awards in 2009.

Senior Project Manager, Eddie Gangemi, said, the award reinforces Devine Constructions' reputation for building inner city mixed use developments against strong competition from some of Australia's largest construction companies.

"Devine Constructions raised the industry benchmark on the quality required to deliver Hamilton Harbour and we are proud that our work has been singled out by our peers as an example of construction excellence.

"Key challenges were adequately managed to ensure a successful delivery of the project resulting in a decrease of safety incidents to an industry record low, ahead of program timeframes and budget parameters.

"The end product was a quality development recognised by the architect and the client and now officially endorsed by the AIB," Eddie said.

Managing Director and CEO, David Keir, said, through targeted research and innovative design and construction, the joint venture team and Devine Constructions delivered a development that tapped into the needs of the market.

"From design through to construction, every aspect of Hamilton Harbour was closely guided by Devine Constructions and the development has exceeded our expectations.

With a variety of sustainable construction techniques adopted, Harbour One and Harbour Two have achieved a four-star Green Star rating from the Green Building Council of Australia, making Hamilton Harbour the first residential project in Queensland to have received such accreditation.

CELEBRATING EXCELLENCE

Earlier in the year it was announced Devine's \$160 million community, Arndell at Truganina, was awarded Best Residential Development at the Urban Development Institute of Australia Victorian awards, confirming Devine's development credentials to deliver true master planned communities.

Arndell at Truganina received the award for creating a community that encouraged social interaction and blended harmoniously with the natural surroundings ultimately providing an attractive place to live.

Victorian General Manager, Neil Anderson, said, since Arndell's launch, the community has been extremely successful with buyers due to its great location, value for money home and land packages and family friendly community atmosphere.

"We are very proud of the community centre, pavilion and extensive open space at Arndell, which encourages community integration and pride of place and we look forward to welcoming more residents in the years to come," Neil said.

Arndell was acknowledged by the UDIA for the integrated community facilities and outstanding landscaping, particularly around the community's perimeter, which has successfully revitalised the space into a superb example of planning and clever execution.

The overall result was a development that, following a review between council and the developer, is far superior to the original plan that was intended for the site.

DEVINE IS PROUD TO CELEBRATE ANOTHER LONG LIST OF AWARDS AND ACCOLADES FROM THE PAST YEAR FROM A VARIETY OF THE BUSINESS' OPERATIONS:

DEVINE CONSTRUCTIONS

The Australian Institute of Building, 2012, Hamilton Harbour, Professional Excellence in Building Award for Residential Construction over \$100 million (Queensland State Award plus National Award)

HOME BUILDING

HIA, September 2012, Brighton 220 Best Display Home up to \$250,000, South East Victoria

HIA, September 2012, Sorrento 310, Runner Up Best Display Home \$250,000-\$350,000, South East Victoria

Master Builders of Australia, July 2012, Maui 22 Display Home \$276,000 to \$325,000, North Queensland

Master Builders of Australia, July 2012, Macquarie 21 Trade Contractor-Outdoor Living and Landscaping, North Queensland

Master Builders of Australia, October 2011, Brighton 175 Best Home Under \$175,000, Victoria

COMMUNITY CREATION

Urban Development Institute of Australia, March 2012, Arndell at Truganina, Best Residential Development over 250 lots, Victoria

SUSTAINABILITY AND LAND MANAGEMENT

Australian Institute of Landscape Architects, September 2012, National Landscape Architecture Award, Land Management, for the rehabilitation of Lollipop Creek at Wyndham Springs

Green Building Council of Australia, January 2012, Hamilton Harbour, First Residential Development to Achieve Green Star accreditation, Queensland

OUR PEOPLE

Urban Development Institute of Australia, November 2011, Devine Development Manager, David Burton, The Stuart Main Young Development Professional Scholarship

WELL POSITIONED FOR RESIDENTIAL MARKET RECOVERY

Devine's delivery and growth plan continues to drive results, with the business launching eight new projects to the market in 2011/12.

Managing Director and CEO, David Keir, said a pipeline of 14,500 strategically located 'market ready' lots would allow Devine to capitalise on the upturn in residential markets in coming years.

"With market conditions continuing to remain challenging, Devine has clearly identified growth priorities and their potential to deliver long term value," David said.

Growth priorities include continuing to capitalise on wholesale building opportunities, replenishing land stocks in a capital efficient and opportunistic manner, re-entering the New South Wales market, and expanding the Devine Constructions business.

Devine expects some property markets to start showing improvement throughout the 2013 calendar year as the combined impact of lower interest rates, improved housing affordability and historically low unemployment help to improve sentiment towards residential property.

Four new projects are expected to launch in 2013 across Australia, including Newbridge at Wallan and Lakeland at Pakenham in Victoria, and the as yet unnamed communities, Western Lands at Redbank Plains in Queensland and Munno Para Downs in South Australia.

ACROSS AUSTRALIA NEW PROJECTS ARE LEADING THE WAY

The 2011/12 financial year has been a watershed year for Devine with the launch of major new master planned communities across the country.

Development of Gladstone's newest master planned community, Riverstone Rise, will be fast tracked to accommodate extraordinary demand from buyers.

Eighty homesites have sold since the community's launch, with the first two stages now sold out.

"The Gladstone property market is extremely healthy, with strong interest from the building industry and local buyers who want to upgrade," said Queensland General Manager, Andrew Brimblecombe.

Earlier in the year, Waverley Parks at Willow Vale near the Gold Coast, launched and recorded almost \$4 million in sales in the first month of trading. One of the reasons for its success is the range of affordable options, including home sites, terrace homes and villas.

In Melbourne's north-west, Stonehill at Bacchus Marsh has achieved more than \$12 million in sales over the past 12 months, thanks to strong population growth and demand for quality product.

Victorian General Manager, Neil Anderson, said, the community would provide many new facilities including a proposed school, retail precinct and high-speed broadband to provide better communications.

With the state government first home buyer grants now expired in Victoria, buyers are remaining true to quality yet more affordable addresses, such as Stonehill and Pennyroyal at Kurunjang.

Starting from \$265,000, the contemporary homes in Pennyroyal's Essence Collection are believed to be the most competitively priced new residences available in Melbourne.

South Australia's Orleana Waters at Evanston Gardens has launched more home sites to meet market demand, after its debut land release achieved 90 percent sales.

"Orleana Waters is ideally positioned; it is just minutes from the Gawler town centre, adjacent to the train to Adelaide's CBD and within walking distance to one of Adelaide's most sought-after private schools, Trinity College," South Australian General Manager, Mark Devine, said.

"We are very excited about delivering more home sites and looking forward to welcoming Orleana Waters' first residents early next year," Mark said.




(Right) Almost four kilometres of Boyne River frontage is a key feature of Riverstone Rise, Gladstone.

BUILDING STRENGTH & STABILITY



BUILDING ON SOLID FOUNDATIONS





AT THE FOREFRONT OF HOUSING AFFORDABILITY

Home buyers looking for new opportunities to enter the property market now have access to Devine's range of affordable living options which consider the changing demographic needs and new living trends of Australians.

Recognising that today's buyers balance liveability with affordability, Devine has developed allotments that are up to 15 percent smaller than other major developers, providing an affordability advantage to buyers.

The more economical use of land results in a price advantage, and has seen a boost in popularity over the past three years with the majority of Devine's clients purchasing blocks of land that are 400 square meters or less.

The demand for this living option adds a point of difference to Devine's master planned communities and also prompted the creation of additional new home designs.

A new range of contemporary townhouses and terrace homes are just one response to a growing concern of housing affordability in Australia and build on Devine's strong reputation of appealing to first home buyers looking to get a foothold in the property market, or empty nesters looking for a low-maintenance lifestyle.

Among the new range of designs is the Essence Collection, which was recently launched in Victoria, and believed to be the most competitively priced new residences available in Melbourne's west, with home and land packages starting from \$265,000.

National Design Manager, Michael Battistella, said, Devine's townhouse and terrace homes are created with a cleverly designed floor plan and modern interiors that still allow for a more affordable product available to the market.

"The townhouse and terrace homes are built to the highest quality. Where they gain efficiency is through maximising the functionality in the layout and features with compact and efficient design without increasing the physical footprint.

"The homes are beautifully finished, ready for buyers to move straight in, with all the latest fittings and finishes, providing two to three bedrooms, a spacious kitchen and living area, plus a double car garage.

"The Essence Collection has been extremely successful with buyers and we believe these kinds of homes will pave the way for new living trends in Australia and help narrow the gap between renting versus buying," Michael said.

DEVINE CONSTRUCTIONS EXPANDS ON ITS CLIENT BASE

Devine Constructions has successfully handed over their most recent tenancy fitout and refurbishment contract to new external clients, the Queensland Nurses' Union.

The two-storey building in Brisbane's inner city suburb of West End was affected by Brisbane's 2011 floods requiring Devine Constructions to complete the \$5 million upgrade to the 2,100 square meter building floor plan.

The works comprised the fitout of a new reception, feature staircase, office fitout and refurbishment to the internal and external areas of the building including connecting new services for an external lift, new mechanical plant and modifications to other areas.

Looking ahead, Devine Constructions is expanding its business by actively seeking to become involved in many other sectors of construction.

With interest already in residential, health, education and retail, Devine Constructions are well positioned to grow the business.

Senior Project Manager, Eddie Gangemi, said, "Our skills, discipline, practical approach to safety and industrial relations, and our people, are our core.

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

(Left) The Savannah, part of Devine's affordable townhouse and terrace range of homes.





WHOLESALE HOUSING EXPANSION

Devine is executing its product strategy of market sector diversity by securing wholesale building opportunities and increasing the delivery of dwellings across the business' operations.

More than 490 new dwellings are planned to be delivered over the next two years, signalling early success into the expansion of constructing retirement villas and wholesale home builds for a variety of clients.

Country Club Villages, Stockland, Places Victoria and Queensland Gas Company (QGC) are among a growing list of clients.

Devine is delivering a wholesale housing building program with Country Club Villages to construct independent living units in various locations across Victoria's regional north starting from May this year.

Victorian General Manager, Neil Anderson, said, the wholesale contracts ensure guaranteed work for Devine in Victoria over the next financial year.

"The Country Club Villages independent living units have created a strong foundation to extend our company's position, which is a vital opportunity in the current housing market.

"Contracts, plans, and permits for the first villas in Bacchus Marsh have been approved and construction is now underway on the first homes with up to 120 dwellings to be delivered in the coming year," Neil said.

It has been an exciting project for the team who are using new construction techniques and developing new partnership opportunities while also helping to keep the local building industry engaged by employing local supervisors and trades in the Ballarat and Bendigo regions.

Another contract for \$6.6 million to construct retirement units in Stockland's Tarneit Skies community development has been successfully handed over with Stockland satisfied with the finished product which was constructed to their specifications to match existing homes within the development.

The Victorian Government is delivering on their partner planning commitment, to provide opportunities to the private sector on greenfield projects, with the recent appointment of their delivery partners, which includes Devine.

Places Victoria are activating over 40 projects, to be delivered to the market over the next three years, with Devine successfully listed on the Delivery Partner Panel.

"The application process and assessment criteria was extensive and it's now a great achievement to be involved in the planning and delivery of almost 10,000 allotments and construction of medium density dwellings," Neil said.

In Queensland, Devine will construct new homes for QGC, the company behind Gladstone's Curtis Island LNG project and coal seam gas producer.

General Manager, Andrew Brimblecombe, said, the Group was already delivering homes under a second contract and the team is looking forward to working with QGC further into the future.

"In delivering these homes, Devine will again be looking to draw on the support of the many Gladstone suppliers and tradespeople who helped us to complete homes for other clients," Andrew said.

The new homes are to be completed at the end of 2012, further reducing accommodation strain and easing housing pressures during the construction of natural gas and mining projects.

South Australia is progressing positively with partnerships between the State and Commonwealth Governments to deliver 100 affordable housing solutions providing better outcomes for key workers in selected South Australian regions.

The project is now in final feasibility stages which will determine the extent of Devine's involvement with the program to commence later this year and be completed by June 2014.

(Left) Devine's award winning Glenelg 23 displayed at Mountview, Redbank Plains, Queensland.

BUILDING FOR THE FUTURE

FAMILY FOCUSED ON EDEN BROOK

Devine's Eden Brook community at Pakenham has proven its credentials as a great place to live for all ages after one family were so impressed they bought multiple homes at the community.

Ryan Gonsalvez and his grandparents have been won over by Eden Brook's superb design, modern homes, and excellent access to amenities.

Ryan, 22, said he was very glad he took the plunge and bought his first home at Eden Brook.

"I love the fact that its mine, I've got somewhere to live and I own it.

"The house is a really good design and I think it will meet my needs for the future, whatever happens," Ryan said.

In an added bonus, Ryan will also have the benefit of living near his grandparents Francis and Barbara, after they decided to buy in the community too, relocating from Queensland.

"I was talking to them about how good it was and they and they saw the houses and they just really liked it and decided to move down," Ryan said.

According to his grandparents, Francis and Barbara Mackie, their Brighton 220 three bedroom home is by far the best of the three home and land packages they have bought over the years.

"We like the fact that it's open plan with three bedrooms and a study and double garage so for the two of us that's perfect," Mr Mackie said. "We really think it's going to suit us very nicely."

Mr Mackie said their new Devine home included everything they could want and they had heard only good things about Devine's quality and follow up.

"After Ryan had bought at Eden Brook and gave a good report, it was one of the reasons we went with Devine," Mr Mackie said.

Mr Mackie said he also liked Eden Brook's location because of its handy transport and smooth topography.

"You've got the train line there not too far away and it's a developing area with new shopping centres and, of course, it's somewhere we could afford,"

Mr Mackie said.



(Left) Ryan and his grandparents look forward to moving into their new homes at Eden Brook.

(Right) Eden Brook has expanded its small and medium density range to support the markets desire for quality, affordable living.





BUILDING DIVERSITY





MARKET DIVERSITY BUILDS STRONG RESULTS

Devine's strategy of expanding its geographic footprint, targeting new markets and developing new product lines sets the Group apart from its peers.

Managing Director and CEO, David Keir, said, the company's multi-layered market reach provided a point of difference in the residential sector.

"Our operations span across three major geographic markets in Queensland, Victoria and South Australia with a re-entry into the New South Wales market expected in the coming year.

"We are also servicing different market segments including first home buyers, investors, upgraders and retirees via the Group's wholesale building operations.

"Securing new opportunities, building on our established partnerships and leveraging on our existing capability will ensure Devine remains competitive," David said.

General Manager Marketing, Warren Thomson, said, Devine has expanded its product range in response to strong consumer demand.

"Devine's medium density townhouses and terrace homes deliver incredible value for money for entry level buyers.

"The company's competitively priced, compact inner-city apartment developments in Queensland are also striking a chord with buyers," Warren said.

Increasing the reach into new buyer segments has seen a range of new home options that appeal to a variety of a markets; from entry level home and land packages starting at \$265,000; to the most discerning buyers of luxury penthouse apartments priced at over \$2 million.

(Left) The quality finishes and views of one of Hamilton Harbour's luxurious penthouse apartments.





BUILDING EXPERIENCE

DEVELOPING THE GROUP'S LEADERSHIP TEAM

As Devine continues to focus on short and long term goals, the business is committed and dedicated to developing an experienced leadership team, whilst at the same time create opportunities for staff to input into critical components of the operations.

As a result Devine has announced the following appointments.

The Board of Devine is pleased to announce the appointment of current non-executive Director Peter Dransfield as the company's new Chairman, effective July 1, 2012.

Peter joined the Board of Devine in April 2010 and is well known in the property industry having formerly held senior positions with Australand, Walker Corporation, Multiplex and the NSW Government. He is also an adviser to Grant Samuel Property and a Director of Macquarie Real Estate Equity Fund and Bremer Park Limited.

Outgoing Chairman Doug Ridley remains committed to the future success of the business and will continue as a Director of Devine to facilitate a smooth transition to Mr Dransfield and ensure the continued pursuit of the company's strategic plan.

In Devine's Senior Executive Team, Cameron Mana will assume a new role as General Manager Apartments and Developments, providing leadership to the existing apartment operations and spearheading the growth into New South Wales. Cameron has made a valued contribution to Devine over the past two years in his role of General Manager Business Growth and will successfully transition these skills to his new role.

Mark Devine has been appointed to the role of General Manager South Australia (House and Land) and will lead the team as they embark on a new phase of growth. South Australia remains a key geographic market for Devine and Mark, working alongside all the staff in SA, will ensure its continued success.

By building an experienced and passionate team, Devine's approach remains dynamic and focused on the overall goals of the business.

BOARD OF DIRECTORS



From left to right - David Keir, Peter Dransfield, Rick Parris, Doug Ridley, Vyril Vella, Terry Mackenroth, Travis Young, Graeme McOrist.

P J DRANSFIELD **Chairman**

Experience and expertise

Mr Peter Dransfield has been an independent non-executive Director since April 2010.

Peter has held senior executive positions with Australand and Walker Corporation and was a Director of the Multiplex Group and Director of Housing for the NSW Government. Peter is a Director of Bremer Park Limited and is also an adviser to Grant Samuel Property, a Director of Macquarie Real Estate Equity Fund and Chairman of several Landcom joint ventures.

Other current directorships (listed entities)

Bremer Park Limited (appointed 4 November 2011)

Former directorships (listed entities) in last 3 years

National Leisure and Gaming Limited (appointed 5 July 2007)

Special responsibilities

Chairman of the Board (appointed from 1 July 2012)

Chairman of the Remuneration and Nomination Committee (member from 28 October 2011, appointed Chairman 1 July 2012)

Member of the Audit Committee (resigned from the committee 1 July 2012)

Interests in shares and options

100,000 ordinary shares in Devine Limited.

D B KEIR **Managing Director and Chief Executive Officer**

Experience and expertise

Mr David Keir has been an executive Director since April 2010. David has over 20 years' experience in the property industry in town planning, project management, operations and construction. He has an in-depth understanding of acquisition, funding, development, sales and marketing. Prior to joining Devine in 2010 he was Chief Executive Officer of Delfin Lend Lease. David holds a Bachelor of Applied Science, Built Environment as well as a number of other post graduate qualifications.

Other current directorships (listed entities)

Nil.

Former directorships (listed entities) in last 3 years

Nil.

Special responsibilities

Managing Director and Chief Executive Officer.

Interests in shares and options

17,500 ordinary shares in Devine Limited.

787,750 options over ordinary shares in Devine Limited.

D J RIDLEY

Experience and expertise

Mr Doug Ridley has been an independent non-executive Director since January 1999 and is a former Chairman of the Company. Doug is a former senior executive of AV Jennings where he was employed for 34 years, including six years as Chief Executive Officer. Since leaving AV Jennings, his 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

Member of the Remuneration and Nomination Committee.

Member of the Audit Committee (appointed 1 July 2012)

Interests in shares and options

123,016 ordinary shares in Devine Limited.

HON. T M MACKENROTH

Experience and expertise

Hon. Terry Mackenroth has been an independent non-executive Director since September 2005. Terry 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 establishing the Office of Urban Management and oversaw 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 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
52,353 ordinary shares in Devine Limited.

G E McORIST

Experience and expertise

Mr Graeme McOrist has been a non-independent non-executive Director since April 2007. Graeme worked at Leighton Holdings Limited from 1969 until his retirement in January 2006. During his time at Leighton, Graeme was involved in and responsible for a number of areas of the business including accounting, treasury, project finance, mergers and acquisitions and risk management. He was also involved in securing and executing a number of major infrastructure projects in Australia and South East Asia. He is a Director of Gemco Investments Pty Ltd, Gemco Advisory Pty Ltd and Southern Way Holdings Pty Ltd.

Other current directorships (listed entities)
Nil.

Former directorships (listed entities) in last 3 years
Nil.

Special responsibilities
Chairman of the Audit committee.

Interests in shares and options
60,402 ordinary shares in Devine Limited.

R W PARRIS

Experience and expertise

Mr Rick Parris has been an independent non-executive Director since October 1993. Rick is a quantity surveyor who was formerly Queensland Regional Director for Civil & Civic and Lend Lease Property Group Australia Limited. He is an Honorary Ambassador for the City of Brisbane and a Director of several private property advisory companies.

Other current directorships (listed entities)
Nil.

Former directorships (listed entities) in last 3 years
Nil.

Special responsibilities
Member of the Audit Committee
(appointed from 28 October 2011)

Interests in shares and options
121,476 ordinary shares in Devine Limited.

T G YOUNG

Experience and expertise

Mr Travis Young has been a non-independent non-executive Director since November 2010. Travis retired from Leighton Holdings in June 2012 after a 35 year career with that company. His final role was that of Deputy Chief Financial Officer and prior to that, Executive General Manager, Finance and Administration.

Other current directorships (listed entities)
Nil.

Former directorships (listed entities) in last 3 years
Nil.

Special responsibilities
Nil.

Interests in shares and options
363,125 ordinary shares in Devine Limited.

V A VELLA

Experience and expertise

Mr Vyiril Vella has been a non-independent non-executive Director since April 2007. Vyiril has over 40 years' experience in the property development and construction industry. He was the Managing Director of Leighton Properties from 1988 until his retirement in June 2007. Vyiril is also a director of Macmahon Holdings Ltd.

Other current directorships (listed entities)
Macmahon Holdings Limited
(appointed 19 November 2007)

Former directorships (listed entities) in last 3 years
Nil.

Special responsibilities
Member of the Remuneration and Nomination Committee.

Interests in shares and options
184,750 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 2012.

DIRECTORS

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

P J Dransfield (Chairman appointed from 1 July 2012)

D J Ridley (resigned as Chairman on 30 June 2012)

D B Keir (Managing Director and CEO)

P J Ferris AM KCSG (retired 28 October 2011)

Hon. T M Mackenroth

G E McOrist

R W Parris

T G Young

V A Vella

CHIEF FINANCIAL OFFICER (CFO)

P V COCHRANE

Paul Cochrane joined Devine in 2009 and as Chief Financial Officer drives the Company's corporate and financial strategies. He has an acute knowledge of property finance and commercial transactions, and development operations. Paul's financial career commenced at PricewaterhouseCoopers Chartered Accountants. He has worked in a number of senior management positions with major blue chip organisations in the property sector including Ariadne Australia Ltd, FKP Ltd and Lend Lease Corporation.

COMPANY SECRETARY

V N GRAYSON

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			
			AUDIT		REMUNERATION AND NOMINATION	
	A	B	A	B	A	B
P J Dransfield	13	14	5	5	1	1
D J Ridley	14	14	**	**	2	2
D B Keir	14	14	**	**	2	2
P J Ferris AM, KCSG (retired 28 October 2011)	4	4	1	1	**	**
Hon. T M Mackenroth	14	14	**	**	**	**
G E McOrist	13	14	5	5	**	**
R W Parris	12	14	2	4	**	**
T G Young	12	14	**	**	**	**
V A Vella	14	14	**	**	1	2

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;
- 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:

	2012 \$'000	2011 \$'000
Final ordinary dividend for the year ended 30 June 2011 of 4 cents* per fully paid ordinary share.	6,349	6,349
Interim ordinary dividend for the year ended 30 June 2012 of 2 cents per fully paid ordinary share.	3,175	6,349
	9,524	12,698

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a final dividend of \$3,174,611 (2 cents per fully paid ordinary share) to be paid on 28 September 2012 out of retained earnings at 30 June 2012.

* Comparative year dividend has been restated to reflect the 4-for-1 share consolidation in November 2011.

REVIEW OF OPERATIONS

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

	Segment revenues		Segment results	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Housing and Land	197,961	367,997	(16,339)	31,255
Development and construction	123,101	60,537	2,876	1,225
Corporate/Other	1,770	2,911	(4,763)	(3,428)
Total	322,832	431,445	(18,226)	29,052
Profit/(loss) before income tax expense			(18,226)	29,052
Income tax benefit/(expense)			5,333	(8,864)
Profit/(loss) attributable to members of Devine Limited			(12,893)	20,188

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

EARNINGS PER SHARE

	2012 Cents	2011 Cents
Basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	(8.1)	12.7*

* Comparative year basic and diluted earnings per share have been restated to reflect the 4-for-1 share consolidation in November 2011.

DIRECTORS' REPORT CONTINUED

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A fully franked final dividend in respect of the 2012 financial year of 2 cents (2011: 4 cents*) per share was declared by Directors on 22 August 2012 (*comparative year dividend has been restated to reflect the 4-for-1 share consolidation in November 2011). No provision has been recognised in the Statement of Financial Position as at 30 June 2012.

There have been no other significant events which have occurred post 30 June 2012.

ENVIRONMENTAL REGULATION

The Company'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 2012 year there were 10 notifiable incidents (2011:13).

DIVERSITY POLICY

Devine's Diversity Policy details the key elements of the Company's commitment to diversity and also recognises the need to set diversity objectives that can be articulated and measured. The policy is available on the Devine Limited website under "Investor Relations – Corporate Governance". The policy addresses the following key factors as they relate to diversity:

- Devine's corporate culture;
- Devine's commitment to diversity;
- Measurable objectives;
- Annual disclosure to shareholders; and
- The role of the Remuneration and Nomination Committee.

Whilst the policy addresses the importance of diversity in relation to age, ethnicity, culture etc as well as gender, these measurable objectives focus primarily on gender diversity.

Measurable Objectives

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following measurable objectives in relation to gender diversity. A number of factors have been considered in setting the measurable objectives and these include:

- The historic nature of the industry in which Devine operates in respect to gender diversity;
- The current level of gender diversity in the Devine Group, particularly at senior management level;
- Where gender gaps exist in the Company's management and general workforce;
- The absence of female representation on the Devine Board;
- The importance of having procedural measures in place to foster diversity;
- Establishing effective monitoring systems to assist in meeting the company's diversity objectives; and
- That overriding the desire for greater gender diversity across the Devine Group is the need to ensure that at all times the best person is recruited or promoted to fill a particular position.

Devine's overall diversity objectives are:

- To have female representation on the Devine Board;
- To increase the number of women in management and senior executive positions;
- To ensure that a person's age, ethnicity, cultural background and religion are never an impediment to securing or retaining employment or promotion with Devine; and
- To implement procedures and monitoring systems that facilitates the above objectives.

The following measurable objectives have been framed in the context of the above objectives:

FEMALE REPRESENTATION EMPLOYMENT GROUP	AT JUNE 2012		TARGET REPRESENTATION	COMMENTS
	TOTAL DIRECTORS/ EMPLOYEES	FEMALES		
Board (including MD & CEO)	8	Nil	Minimum 1 Female Director	To be phased in as Board positions become available
Senior Executives	8	1	Minimum 1, target of 2	Achieve target by June 2013
Management	44	9 (20%)	25 to 30%	Achieve target by June 2013
Balance of Workforce	171	74 (43%)	45 to 55%	Achieve target by June 2014

Monitoring and Implementation

The Remuneration and Nomination committee has direct responsibility on behalf of the Board for overseeing the implementation of the diversity policy and achievement of the diversity targets. This is a standard agenda item at each committee meeting and, in addition, a report on diversity is included in the monthly Board papers.

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 Company.

LOANS TO DIRECTORS AND EXECUTIVES

No loans were secured or made to Directors and executives during the year ended 30 June 2012 (2011: 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 Company has paid a premium regarding a contract insuring each Devine Director and each full-time executive, Director and Secretary of the Company 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 later in this report.

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	
	2012 \$	2011 \$
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	283,250	275,000
Other assurance and technical accounting services	21,000	10,500
Tax compliance and advisory services	22,754	98,910
Total auditors' remuneration	327,004	384,410

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Devine Group which has been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Executive remuneration outcomes for 2012 financial year
5. Additional statutory disclosures.

1. INTRODUCTION

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Devine Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term "executive" includes the Managing Director and Chief Executive Officer (CEO), executive directors and other senior executives of the Parent and the Group.

Non-executive directors

P J Dransfield

Chairman - appointed on 1 July 2012

D J Ridley

resigned as Chairman on 30 June 2012

P J Ferris AM KCSG

retired 28 October 2011

R W Parris

Hon. T M Mackenroth

G E McOrist

T G Young

V A Vella

Executive directors

D B Keir

Managing Director and CEO

Other KMP of the group

P Cochrane

Chief Financial Officer

V Grayson

Company Secretary

A Brimblecombe

General Manager: Queensland

N Anderson

General Manager: Victoria and South Australia

T Conway

Manager: Apartments and Property Development

S Weightman

General Manager: South Australia

- resigned 3 Jan 2012

2. REMUNERATION GOVERNANCE

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 and Nomination 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 and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of Devine Limited:

- is made up of a majority of non-executive Directors with the Managing Director & CEO attending with regard to other executives;
- is responsible for reviewing and determining the compensation arrangements and employment conditions for the Directors, the Managing Director & CEO, and the executive team; and
- monitors and reviews the performance hurdles associated with incentive plans as appropriate.

3. EXECUTIVE REMUNERATION ARRANGEMENTS

In accordance with best practice corporate governance, the structure of remuneration for the non-executive Directors and Senior Executives 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 Company's 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 Company's Constitution and the *Corporations Act 2001*, the company meets the cost of any travel and other costs they may incur in attending to the Company's affairs. In addition, any Director who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, or who at the request of the Directors engages in any journey on the business of the company, may be paid extra remuneration as determined by the Directors. Any amount paid does not form part of the aggregate remuneration allowance.

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.

Non-executive Directors do not participate in any short or long term incentives.

The remuneration of non-executive Directors is detailed in Section 4 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 and Nomination Committee considers market levels of remuneration for comparable executive roles and, from time to time, engages external consultants to provide comparative information and advice.

During the 2012 financial year, the Remuneration and Nomination Committee commissioned a complete external review of the amount, structure and form of executive remuneration.

Devine Limited executive remuneration as compared to ASX listed entities based on the following criteria:

- Market Capitalisation - Devine Limited market capitalisation at the time of the review was approximately \$100 million and executive remuneration was compared to companies with a market capitalisation of \$50 to \$200 million.
- Index - Devine Limited executive remuneration was compared to companies in the Real Estate and Developer's Index.
- Employees - Devine Limited's number of employees at the time of the review was 230 employees and executive remuneration was compared to companies with employees ranging from 150 to 450 employees.

The executive remuneration at Devine Limited was compared to the above data with a view to remunerate senior executives at between the 50th and 75th percentiles of comparable companies. The Remuneration and Nomination Committee believes that this level of remuneration will be sufficient to achieve Devine Limited's remuneration philosophy.

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 and Nomination Committee using the principles outlined below.

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 and Nomination Committee and the process consists of reviewing individual performance and considering comparative remuneration on offer in the market place.

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 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, fifth and seventh anniversary of entering into the retention arrangement.

Within the 2012 financial year, an external review of executive remuneration was completed and the Remuneration and Nomination Committee has accepted recommendations that:

1. There be no increase in Fixed Remuneration from 2012 to 2013; and
2. No further allocations are made under the retention bonus scheme.

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 and specific objectives. 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 and Nomination Committee. Entitlements are paid by way of a cash bonus.

Within the 2012 financial year, an external review of executive remuneration was completed and the Remuneration and Nomination Committee has accepted recommendations that there be no increase in STI Remuneration percentages from 2012 to 2013.

In brief, the current Devine Limited executive STI operates as follows:

- Payment of the STI reward is dependent upon final approval by the Remuneration and Nomination Committee;
- Each participant has the potential of a "base bonus" amount being a percentage of the executive's Fixed Remuneration as follows:
 - Managing Director & CEO - 60%;
 - CFO and General Managers of operational business units - 40%; and
 - Company Secretary and General Managers of functional business units - 30%.
- Each participant's "base bonus" is then divided between Financial Goals (75%) and specific objectives (25%);
- Financial Goals are Devine Group and Business Unit Profit before Tax (75%) and Devine Group and Business Unit Return on Sales (25%);
- Personal Delivery Goals are defined in the participant's performance management plan and reference the Company's three pillars of refine, innovate and grow.
- Dependent upon Devine Group and Business Unit Profit before Tax, 70% of the "base bonus" is payable at 90% achievement of Profit before Tax and will increase on a sliding scale to 100% of "base bonus" at a budget outcome to a maximum 190% of "base bonus" at 140% Profit before Tax over budget achievement.
- Generally no STI payment is made if Devine Group does not achieve 90% of budget Profit before Tax.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

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 - Executive Option Plan - LTIs have been historically 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 and Nomination Committee. The exercise of these options is dependent on specified financial hurdles being met in relation to total shareholder returns.

Use of remuneration consultants

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice.

New legislation was introduced in 2011 that impacts how companies can seek advice which includes a remuneration recommendation in relation to KMP remuneration. Therefore, in the 2012 financial year the Board underwent a formal appointment process and Owen Thomas

& Associates Pty Ltd (OTA) was appointed as the remuneration advisor to the Company.

In order to ensure the Remuneration and Nomination Committee is provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the engagement of OTA by the Remuneration and Nomination Committee was based on an agreed set of protocols that would be followed by OTA, members of the Remuneration and Nomination Committee and members of the KMP.

OTA made the following statement when presenting the remuneration recommendations:

"OTA has made recommendations regarding the remuneration for these directors and executives at Devine free from undue influence by any member or members of the key management personnel or any executive, director or directors of Devine to whom the recommendation may relate".

The Remuneration and Nomination Committee concurs with this statement and undertook the following procedures to ensure compliance:

1. OTA was appointed by the Chairman of the Remuneration and Nomination Committee without influence from executives;
2. All correspondence during the data collection and assessment period was sent to the Chairman of the Remuneration and Nomination Committee and the committee members and relevant executives were provided with a copy of the correspondence; and
3. OTA Report 1 - Remuneration Review, Report 2 - Short Term Incentive Review and Report 3 - Long Term Incentives Review were not distributed to the executive and were delivered direct to the Chairman of the Remuneration and Nomination Committee when completed. Once reviewed by the Chairman of the Remuneration and Nomination Committee, a copy of these reports were provided to the committee members and the relevant executives.

During the 2012 financial year OTA invoiced fees of \$31,480 excluding GST in relation to remuneration recommendations.

4. EXECUTIVE REMUNERATION OUTCOME FOR 2012

STI for the 2012 financial year

For the 2012 financial year, the aggregate of the amount that would have been payable in relation to the STI for the Executive Director and other Key Management Personnel, had 100% of the potential bonus been paid was \$2,428,700 (2011: \$1,937,300). Based on the actual results achieved against budgeted financial targets for the 2012 financial year, the aggregate of the STI payable to the Executive Director and other Key Management Personnel was Nil (2011: \$1,163,666).

Directors and executives disclosed in this report

Name	STI earned - % of maximum 2012	STI earned - % of maximum 2011
Managing Director		
D B Keir	0%	65%
Senior Executives		
P Cochrane	0%	64%
V Grayson	0%	63%
A Brimblecombe	0%	29%
N Anderson	0%	79%
T Conway	0%	38%
S Weightman (resigned 3 Jan 2012)	0%	87%

Details of Remuneration

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

Directors and key management personnel (KMP) of the Group

		Short tem benefits				Post employment		Share based payments		Total \$
		Salary & fees \$	Bonus \$	Non monetary benefits \$	Committee & other fees \$	Super-annuation \$	Long service leave * \$	Share options \$	Termination payments \$	
Executive directors										
D B Keir	2012	723,084	-	51,916	-	25,000	-	88,601	-	888,600
	2011	623,084	429,344	51,916	-	25,000	-	96,040	-	1,225,384
Non executive directors										
P J Dransfield	2012	96,330	-	-	10,563	8,670	-	-	-	115,563
	2011	96,330	-	-	2,925	8,670	-	-	-	107,925
D J Ridley	2012	160,550	-	-	50,000	14,450	-	-	-	225,000
	2011	160,550	-	-	50,000	14,450	-	-	-	225,000
P J Ferris AM, KCSG	2012	35,000	-	-	13,759	-	-	-	-	48,759
(retired 28 October 2011)	2011	105,000	-	-	35,287	-	-	-	-	140,287
Hon. T M Mackenroth	2012	55,000	-	-	-	50,000	-	-	-	105,000
	2011	55,000	-	-	-	50,000	-	-	-	105,000
G E McOrist	2012	96,330	-	-	15,675	8,670	-	-	-	120,675
	2011	96,330	-	-	4,690	8,670	-	-	-	109,690
R W Parris	2012	96,330	-	-	2,560	8,670	-	-	-	107,560
	2011	96,330	-	-	1,400	8,670	-	-	-	106,400
V A Vella	2012	96,330	-	-	13,650	8,670	-	-	-	118,650
	2011	96,330	-	-	12,675	8,670	-	-	-	117,675
T G Young	2012	96,330	-	-	-	8,670	-	-	-	105,000
	2011	58,415	-	-	-	5,257	-	-	-	63,672
Other key management personnel										
P Cochrane	2012	384,225	-	-	-	15,775	-	-	-	400,000
	2011	364,801	139,044	-	-	15,199	-	52,136	-	571,180
V Grayson	2012	360,000	-	-	-	50,000	6,565	-	-	416,565
	2011	337,305	143,025	12,695	-	50,000	-	54,880	-	597,905
A Brimblecombe	2012	355,000	-	-	-	25,000	-	-	-	380,000
	2011	355,927	61,563	-	-	24,990	-	-	-	442,480
N Anderson	2012	369,225	-	-	-	15,775	-	-	-	385,000
	2011	343,549	166,791	-	-	15,199	-	-	-	525,539
T Conway	2012	300,000	-	-	-	50,000	-	-	-	350,000
	2011	298,800	39,375	-	-	51,200	-	-	-	389,375
S Weightman	2012	169,183	-	18,148	-	33,769	-	-	94,716	315,816
(resigned 3 Jan 2012)	2011	285,974	184,524	34,026	-	50,000	-	-	-	554,524
J Kerr	2012	-	-	-	-	-	-	-	-	-
(resigned 14 January 2011)	2011	177,396	-	8,767	-	27,034	-	-	10,954	224,151

* The long service leave is classified as part of the executive's total remuneration package when it is considered to be vested.

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 KMP of the Group

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2012 \$	2012 %	2012 \$	2012 %	2012 \$	2012 %
Executive directors of Devine Limited						
D B Keir	800,000	90	-	-	88,601	10
Other KMP						
P Cochrane	400,000	100	-	-	-	-
V Grayson	410,000	100	-	-	-	-
A Brimblecombe	380,000	100	-	-	-	-
N Anderson	385,000	100	-	-	-	-
T Conway	350,000	100	-	-	-	-
S Weightman (resigned 3 Jan 2012)	221,100	100	-	-	-	-

As the KMP did not receive the short term incentive in 2012, the fixed remuneration represents a higher percentage of total remuneration.

5. ADDITIONAL STATUTORY DISCLOSURES:

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 contract with the Managing Director and CEO has no fixed term but may be terminated by either party giving six months notice. The employment contracts with the Senior Executives have no fixed term but may be terminated by either party giving three months notice. The remuneration of the Managing Director and CEO and Senior Executives is subject to annual review by the Remuneration and Nomination 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.

N Anderson - General Manager, Victoria and South Australia

- 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 3 instalments being: 30% of 80% on 28 December 2013, 30% of 80% on 28 December 2015, and the remaining 40% of 80% on 28 December 2017, 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 3 instalments being: 30% of 80% on 21 December 2013, 30% of 80% on 21 December 2015, and the remaining 40% of 80% on 21 December 2017, provided still employed by the company at those dates.

T Conway - Manager, Apartments and Property 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 2 instalments being: 50% of 80% on 2 July 2012 and the remaining 50% of 80% on 2 July 2014, 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 or third 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 4 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 September 2006	6 September 2008	6 September 2016	\$3.89	\$0.50
2 July 2007	2 July 2009	2 July 2017	\$5.22	\$1.01
1 July 2008	1 July 2010	1 July 2018	\$3.15	\$0.74
1 July 2010	1 July 2012	1 July 2015	\$0.94	\$0.27
28 October 2011	28 October 2014	28 October 2016	\$0.91	\$0.20

* Exercise price and value at grant date have been restated to reflect the 4 for 1 share consolidation at November 2011.

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%.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED) CONTINUED

Name	Number of options granted during the year ended 30 June *		Number of options lapsed during the year ended 30 June *	
	2012	2011	2012	2011
Executive Directors of Devine Limited				
D B Keir	437,750	350,000	-	-
Other KMP of the Group				
V Grayson	-	200,000	(125,000)	-
P Cochrane	-	190,000	-	-
S Weightman (resigned 3 January 2012)	-	-	-	(184,000)

* Number of options has been restated to reflect the 4 for 1 share consolidation at November 2011.

Group Performance

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

	2008**	2009^	2010**	2011^	2012
Earnings per share (cents)	48.4	19.6	7.2	12.7	(8.1)
Dividend per share (cents)	32.0	12.0	4.0	8.0	4.0
Closing share price (cents)	322.0	176.0	94.0	100.0	58.0

* In December 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.

^ Comparatives have been restated to reflect the 4 for 1 share consolidation at November 2011.

Shares Under Option

Unissued ordinary shares of Devine Limited under option as at 30 June 2012 are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option*
6 September 2006	6 September 2016	\$3.89	40,250
2 July 2007	2 July 2017	\$5.22	58,250
1 July 2008	1 July 2018	\$3.15	109,750
1 July 2010	1 July 2015	\$0.94	830,000
28 October 2011	28 October 2016	\$0.91	437,750
			1,476,000

* Number of options has been restated to reflect the 4 for 1 share consolidation at November 2011.

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

During the past five years no Executive has achieved a financial reward through the option plan due to the vesting conditions not being met.

EMPLOYEES

The consolidated entity employed 225 employees as at 30 June 2012 (2011: 254 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 the Directors of Devine Limited.



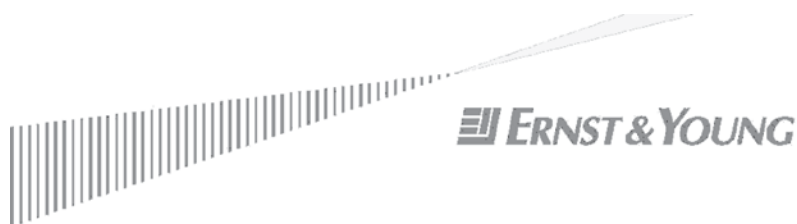
P J Dransfield
Chairman



D B Keir
Managing Director and CEO

Melbourne
18 September 2012

AUDITOR'S INDEPENDENCE DECLARATION



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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 2012, 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.

A stylized, handwritten-style signature of 'Ernst & Young' in black ink, enclosed within a thin rectangular border.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Alison de Groot', enclosed within a thin rectangular border.

Alison de Groot
Partner
Brisbane
18 September 2012

CORPORATE GOVERNANCE STATEMENT

30 June 2012

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 and Guidance Note 9 issued in February 2012. The principles of good corporate governance state that a company should:

1. Lay a 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 2012 and were largely compliant with the Council's Principles and Recommendations. Where the principles and recommendations have not been complied with, an explanation for this has been given under the 'if not why not' approach. 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. As set out in the Board's Charter, 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;
- 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; and
- The Company's formal "Performance Management Plan" which assesses the performance of the senior executive team and management and staff against agreed goals on a half yearly and annual basis. This evaluation process was completed for the half-year-ended December 2011 and the full-year-ended 30 June 2012.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

In determining the composition of the Devine Limited Board, the following key objectives are considered in association with the recommendations and guidelines as set out in Principle 2:

- 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 2012.

NAME	COMPANY TITLE	TERM	INDEPENDENCE STATUS
P J Dransfield	Non-executive Director	2 years	Independent
D B Keir	Managing Director & Chief Executive Officer	2 years	Not Independent *
D J Ridley	Non-executive Director	14 years	Independent
Hon. T M Mackenroth	Non-executive Director	7 years	Independent
G E McOrist	Non-executive Director	5 years	Not Independent **
R W Parris	Non-executive Director	19 years	Independent
T G Young	Non-executive Director	2 years	Not Independent **
V A Vella	Non-executive Director	5 years	Not Independent **

* This Director is not considered independent as he is the Managing Director and CEO of the Company.

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

Following the retirement of an independent Director, Mr Peter Ferris AM, following the Company's 2011 AGM, the Board now consists of eight Directors, four of whom are independent and four are considered to be non-independent. Directors believe that as the three Directors who have been appointed to represent the Company's major shareholder are not employees of that shareholder and, in addition, that under the Company's Constitution the Chairman who is an independent Director has a casting vote, the composition of the Board is such that the interests of all shareholders are appropriately represented.

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 established a Remuneration and Nomination Committee however 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 may 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 that relate to ethical and responsible decision making. 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;
- Diversity Policy;
- Securities Trading Policy; and
- Procurement Principles and Practices.

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, customers and fellow employees. In addition, the Company has put in place five key principles, the "Devine Way", that set out the way that employees are expected to conduct themselves in relation to the conduct of the Company's business and the workplace environment.

Securities Trading Policy - 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.

Diversity Policy - Devine's Diversity Policy outlines the Company's commitment to a culture that embraces diversity. Devine values diversity and aims to create a vibrant and inclusive workforce which is reflective of the communities in which it operates. In building a more diverse and inclusive workforce, it is recognised that this enables a greater diversity of thought, more informed decision making and ultimately better business outcomes. A copy of the Diversity Policy is available on the Corporate Governance section of the Devine website. Further information on Devine's Diversity Policy and the Measurable Objectives can be found in the Directors' Report on page 26.

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:

- G E McOrist (Chairman of the Audit Committee);
- D J Ridley; and
- R W Parris

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

Following the retirement in October 2011 of the previous Chairman of the Audit Committee from the Devine Limited Board, Mr G E McOrist, who was a member of the committee, was elected Chairman of the Audit Committee. As noted under Principle two above, Mr McOrist is considered to be a non-independent member of the Board. The Board believes however that given his extensive experience in accounting, finance and risk management, Mr McOrist is the best qualified Director to fill the role of Chairman of the committee.

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 the effectiveness and efficiency of significant business processes, as well as the safeguarding of assets, maintenance of proper accounting records, and the 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 Chief Financial Officer (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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

30 June 2012

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 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;
- The half-yearly Shareholders' Bulletin and Results Presentation;
- 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 under "Financial Reports".

Given the size and structure of the Company, the Board does not consider that a formal policy and procedure on Continuous Disclosure is necessary. Through the Managing Director and CEO and regular Board meetings and updates, Directors are kept fully informed of any matters that would need to be disclosed to the market in accordance with ASX listing rule 3.1 relating to Continuous Disclosure.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

The Board's responsibility in relation to communicating with shareholders and keeping them informed on the financial and operational performance of the Company is set out in the Board's Charter. Key financial reports including the half-yearly 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 attends all Devine Limited AGM's and, as required by the corporations law, is available at those meetings to answer any questions put to them by shareholders about the audit.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A significant number of activities exist within the building, development and construction industries that require active monitoring and control. Devine continues to update its risk management policies and procedures and is constantly monitoring its exposure to risk. A policy is in place setting out the formal risk reporting processes for Strategic, Health and Safety, and Trading and Operational risk areas. Risk assessments are also carried out on any new projects that are being considered and are included in any proposals that are 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, Development and Construction and Corporate segments and this facilitates the preparation and review of its overall risk matrix chart for the Group.

A Risk and Compliance Update Report is prepared by each business unit and division on a monthly basis and the results of this are summarised and reported to the Board each month. A more detailed Risk Review Report is prepared by each Business Unit and Division on a quarterly basis. This review applies a rating to the various risks that have been identified and provides commentary on the actions that are being taken to mitigate those risks. It also covers each project that the Company is undertaking. The results of these review reports are summarised and communicated to the Audit Committee for review at their quarterly meetings.

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). The Board has established a Remuneration and Nomination Committee to assist it in reviewing the remuneration for the Managing Director and CEO, and other KMP. The charter for this committee sets out how it will operate on behalf of the Board.

The current members of the Remuneration and Nomination Committee are:

- P J Dransfield (Chairman of the Remuneration and Nomination Committee);
- D J Ridley;
- 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;
- The retention and motivation of key executives;
- To attract quality management to the Company; and
- To provide performance incentives which are aligned with the interests of shareholders and allow executives to share in the rewards of success.

Full details of the Company's remuneration philosophy and structure for and payments to Directors and KMP are set out in the Company's Remuneration Report in the Directors' Report.

When considering the entitlement by key management personnel to the receipt of short term incentive (STI) and long term incentive (LTI) payments and entitlements, 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. Details of the STI and LTI schemes are set out in the remuneration report.

FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Revenue	3	313,865	425,173
Cost of properties sold	4	(273,899)	(311,364)
Gross profit		39,966	113,809
Other revenue	3	8,967	6,272
Expenses, excluding finance costs	4	(66,656)	(80,779)
Finance costs	4	(7,012)	(13,448)
Share of net profit of joint venture entities accounted for using the equity method	35(b)	6,509	3,198
Profit/(loss) before income tax		(18,226)	29,052
Income tax benefit/(expense)	5	5,333	(8,864)
Profit/(loss) attributable to members of Devine Limited		(12,893)	20,188
Other comprehensive income			
Changes in the fair value of cash flow hedges/reserves, net of tax	26(a)	(221)	48
Total comprehensive income for the year		(13,114)	20,236
		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share*	38	(8.1)	12.7

* Comparative year basic and diluted EPS has been restated in accordance with AASB 133 *Earnings Per Share* to reflect the 4 for 1 share consolidation in November 2011.

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 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	27	20,143	21,556
Receivables	7	63,676	54,551
Inventories	8	113,878	130,463
Current tax receivables		307	-
Prepayments		506	633
Total current assets		198,510	207,203
Non-current assets			
Receivables	9	20,798	28,366
Investments accounted for using the equity method	35	62,444	67,236
Property, plant and equipment	14	1,488	976
Intangible assets	15	3,316	3,316
Inventories	13	282,574	280,637
Other non-current assets	16	231	278
Total non-current assets		370,851	380,809
Total assets		569,361	588,012
LIABILITIES			
Current liabilities			
Payables	18	64,869	59,820
Interest bearing liabilities	19	32,163	28,294
Current tax liabilities		-	1,705
Provisions		3,987	4,255
Non-interest bearing liabilities	20	26,126	17,708
Total current liabilities		127,145	111,782
Non-current liabilities			
Interest bearing liabilities	22	100,712	105,632
Deferred tax liabilities	24	2,047	7,476
Provisions		1,448	1,789
Non-interest bearing liabilities	23	15,793	16,984
Derivative financial instruments	21	755	352
Total non-current liabilities		120,755	132,233
Total liabilities		247,900	244,015
Net assets		321,461	343,997
EQUITY			
Contributed equity	25	292,367	292,367
Reserves	26(a)	(124)	(5)
Retained earnings	26(b)	29,218	51,635
Total equity		321,461	343,997

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 2012

	Notes	Consolidated			
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2011		292,367	(5)	51,635	343,997
(Loss) for the year	26	-	-	(12,893)	(12,893)
Other comprehensive income	26	-	(221)	-	(221)
Total comprehensive income for the year		-	(221)	(12,893)	(13,114)
Transactions with owners in their capacity as owners:					
Payment of dividends	6	-	-	(9,524)	(9,524)
Issue of share options pursuant to employee incentive scheme		-	102	-	102
Balance at 30 June 2012		292,367	(124)	29,218	321,461
Balance at 1 July 2010		292,367	(105)	44,145	336,407
Profit for the year	26	-	-	20,188	20,188
Other comprehensive income	26	-	48	-	48
Total comprehensive income for the year		-	48	20,188	20,236
Transactions with owners in their capacity as owners:					
Payment of dividends	6	-	-	(12,698)	(12,698)
Issue of share options pursuant to employee incentive scheme		-	52	-	52
Balance at 30 June 2011		292,367	(5)	51,635	343,997

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 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		363,892	471,935
Payments to suppliers and employees (inclusive of goods and services tax)		(331,606)	(385,650)
Interest received		1,534	1,798
Interest paid		(15,834)	(14,531)
Income taxes paid		(1,969)	(2,964)
Joint venture profit distributions received		11,527	4,845
Net cash inflow/(outflow) from operating activities	28	27,544	75,433
Cash flows from investing activities			
Payments for property, plant and equipment	14	(1,159)	(568)
Proceeds from the sale of property, plant and equipment		54	-
Payments for investment in joint ventures		(21,741)	(30,213)
Joint venture equity distributions received		22,343	4,873
Loans to related joint ventures		(5,314)	(10,685)
Repayments of loans by related joint ventures		2,327	-
Payments for investment in land inventory		(12,401)	(50,106)
Net cash inflow/(outflow) from investing activities		(15,891)	(86,699)
Cash flows from financing activities			
Proceeds from borrowings		114,875	135,058
Repayment of borrowings		(118,417)	(109,583)
Dividends paid to company's shareholders		(9,524)	(12,698)
Net cash inflow/(outflow) from financing activities		(13,066)	12,777
Net increase/(decrease) in cash and cash equivalents		(1,413)	1,511
Cash and cash equivalents at the beginning of the financial year		21,556	20,045
Cash and cash equivalents at end of year	27	20,143	21,556

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

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 2.

(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 2012 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(ii)).

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 35.

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 statement of comprehensive income, 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 35.

(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 when risks and benefits of ownership transfer to a third party.

(ii) Property development

Revenue in respect of the company'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) below.

(iv) Construction contracting

Revenue and costs on contracts entered into by Devine Constructions for external parties 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 it is probable that the cost will be recovered, revenue is recognised to the extent of the costs incurred.

Where Devine Constructions undertakes a

building contract for Devine, revenue and costs are recognised in the consolidated entities accounts when the building is completed and the risk and rewards of ownership have transferred to the end buyer/s.

For fixed price contracts, the percentage of completion is measured by reference to the actual costs incurred to date as a percentage of the total estimated costs for that contract. For cost plus contracts, revenue is recognised by reference to the costs incurred during the reporting period that will be recovered under the contract plus the relevant margin earned.

Where Devine Constructions enters into a construction contract for a joint venture project in which Devine has an equity interest, only that portion of the revenue generated and costs incurred that relates to the equity interest of Devine's joint venture partner is recognised in Devine's accounts in the period in which the work is carried out. That portion of the revenue and costs that relates to Devine's equity interest in the joint venture is only recognised in Devine's accounts when the construction contract is completed and the risk and rewards of ownership have transferred to the end buyer/s.

(v) Service revenue

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.

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.

(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 Managing Director and Chief Executive Officer and the Board.

(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 29). 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 statement of comprehensive income, 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:

	2012	2011
Property, plant and equipment	2-5 years	3-5 years
Computer equipment	3-5 years	3-5 years
Vehicles	3-5 years	3-5 years
Leasehold improvements	2-5 years	3-5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

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 30.

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/or vested before 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 substantively 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 Asset: 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 *Intangible Assets* 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 2011 have been adopted. 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 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB 1054 *Australian Additional Disclosures* effective 1 July 2011
- Improvements to AASBs effective 1 January 2011 and 1 January 2012

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods and have not yet been applied in the financial report. These are:

- AASB 9 *Financial Instruments* effective 1 January 2013
- AASB 10 *Consolidated Financial Statements* effective 1 January 2013
- AASB 11 *Joint Arrangements* effective 1 January 2013
- AASB 12 *Disclosure of Interest in Other Entities* effective 1 January 2013
- AASB 13 *Fair Value Measurement* effective 1 January 2013
- AASB 1053 *Applications of Tiers of Accounting Standards* effective 1 July 2013
- Improvements to AASBs effective 1 July 2012, 1 January 2013 and 1 July 2013

The Directors believe that these new or amended Standards and Interpretations do not have any material financial effect on the financial statements presented.

(y) Parent Entity financial information

The financial information for the Parent Entity, Devine Limited, disclosed in Note 12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

(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 7) and receivables (Note 9) 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 21. Movements in the hedging reserve in shareholders' equity are shown in note 26. 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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;
- The Group has recognised deferred tax assets relating to carried forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Utilisation of the tax losses also depends on the ability of the Group to satisfy certain tests, primarily relating to continuity of certain ownership interests in the Group, at the time the losses are recouped. It is not expected changes in ownership significant enough to impact the Group's ability to satisfy these tests will occur. Failure to satisfy these tests, or other indications to suggest the Group will not realise the benefit of these losses, may require derecognition of deferred tax assets to the value of \$15.02m (refer Note 17); and
- In assessing the carrying value of property development projects and land held for sale, assumptions of future sales rates are made based on the current state and future expectation of markets in which the Group operates. Management makes assessments on a project-by-project basis and where appropriate will adjust the carrying value of inventory to the lower of cost and net realisable value, as detailed in Note 1(f)(ii).

3 REVENUE

	Consolidated	
	2012 \$'000	2011 \$'000
Revenue from sale of properties	194,587	363,091
Revenue from construction activities for related joint ventures	112,095	53,783
Revenue from related joint ventures	7,183	8,299
	313,865	425,173
Interest received/receivable - other persons/bodies corporate	3,994	4,869
Rent received - other persons/bodies corporate	332	343
Sundry income - other persons/bodies corporate	4,641	1,060
	8,967	6,272
	322,832	431,445

4 EXPENSES

	Consolidated	
	2012 \$'000	2011 \$'000
Expenses, excluding finance costs, included in the statement of comprehensive income classified by function:		
Cost of properties sold	273,899	311,364
Other expenses	66,656	80,779
	340,555	392,143
Classification of these expenses by function:		
Cost of properties sold	273,899	311,364
Other expenses from ordinary activities		
Marketing and selling costs	29,070	39,911
Occupancy	2,500	2,312
Administration	24,201	28,036
Other	5,510	5,332
Land holding expenses	5,375	5,188
	340,555	392,143
Profit/(loss) before income tax includes the following specific expenses:		
Inventory write downs and impairment expenses of:		
Write down included in cost of properties sold	28,300	(3,991)
Impairment of equity accounted joint venture entity	-	3,000
Write down of inventory in joint venture entity	6,000	-
Total	34,300	(991)
Depreciation		
Plant and equipment	416	377
Display homes	194	148
Total depreciation	610	525
Provision for bad debts	48	81
Operating lease rental	628	731
Interest and borrowing costs	7,012	13,448
Employee benefits expense	30,953	30,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

5 INCOME TAX EXPENSE

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Income tax expense		
Current tax	-	5,077
Deferred tax	(5,318)	3,730
Adjustments for current tax of prior periods	(43)	71
Adjustments in respect of deferred tax of prior periods	28	(14)
Aggregate income tax expense/(benefit)	(5,333)	8,864
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense/(benefit)	(18,226)	29,052
Tax at the Australian tax rate of 30% (2011 - 30%)	(5,468)	8,716
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	70	75
Options issued to employees	31	16
Other	49	-
Under/(over) provisions from prior year	(15)	57
	(5,333)	8,864
Income tax expense/(benefit)	(5,333)	8,864
(c) Amounts recognised directly in equity		
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	(140)	21

6 DIVIDENDS

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Ordinary shares		
Previous year final dividend paid		
Fully franked based on tax paid @ 30% - 4 cents (2011: 4 cents*) per share	6,349	6,349
Interim dividend paid		
Fully franked based on tax paid @ 30% - 2 cents (2011: 4 cents*) per share	3,175	6,349
Total dividends provided for or paid	9,524	12,698
Paid in cash	9,524	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 2 cents per fully paid ordinary share (2011: 4 cents*), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 28 September 2012 out of retained profits at 30 June 2012, but not recognised as a liability at year end is:	3,175	6,349
(c) Franked dividends		
The franked portion of the final dividend declared after 30 June 2012 will be franked out of existing franking credits.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2011 - 30%)	11,162	13,280

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 \$1,360,548 (2011: \$2,721,078).

* Comparative year dividends per share have been restated to reflect the 4 for 1 share consolidation in November 2011.

7 CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Trade receivables	63,327	54,195
Provision for doubtful receivables	(46)	(55)
	63,281	54,140
Other receivables	133	199
Deposits	262	212
	395	411
	63,676	54,551

(a) Past due but not impaired

As of 30 June 2012, trade receivables of \$4,584,000 (2011: \$2,423,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Past the due date by:		
< 30 days	3,140	2,241
30 - 60 days	1,272	37
60 - 90 days	67	140
> 90 days	105	5
	4,584	2,423

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 9.

(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 receivables is insignificant as is the fair value of any collateral sold or repledged. Refer to Note 39 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

8 CURRENT ASSETS - INVENTORIES

		Consolidated	
		2012 \$'000	2011 \$'000
Work in progress			
Work in progress		10,272	17,974
Land held for sale			
Acquisition		44,160	56,107
Development costs capitalised		56,766	53,943
		100,926	110,050
Display homes			
Display homes		2,680	2,439
		113,878	130,463

9 NON-CURRENT ASSETS - RECEIVABLES

		Consolidated	
		2012 \$'000	2011 \$'000
Trade and other receivables		20,798	28,366

(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:

		Consolidated	
		2012 Carrying amount and fair value \$'000	2011 Carrying amount and fair value \$'000
Trade and other receivables		20,798	28,366
		20,798	28,366

The fair values are based on cash flows discounted using the current lending rate.

(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 above mentioned receivables. Refer to Note 39 for more information on the risk management policy of the Group.

10 SUBSIDIARIES

(a) Significant investments in subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012 %	2011 %
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	100
Devine Management Services Pty Ltd *	Australia	Ordinary	100	100
Devine Queensland No.10 Pty Ltd	Australia	Ordinary	100	100
Devine Land Pty Ltd *	Australia	Ordinary	100	100
Riverstone Rise Gladstone Pty Ltd	Australia	Ordinary	100	-
Riverstone Rise Gladstone Unit Trust	N/A	Units	100	-
DoubleOne 3 Pty Ltd	Australia	Ordinary	100	-
DoubleOne 3 Unit Trust	N/A	Units	100	-
Victoria Point Docklands Pty Ltd	Australia	Ordinary	100	-

* These subsidiaries are relieved from preparing financial reports in accordance with Class Order 98/1418 (as amended), issued by the Australian Securities and Investments Commission, as set out in Note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

11 DEED OF CROSS GUARANTEE

Devine Limited and the subsidiary companies specifically referenced in Note 10 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.

	Consolidated	
	2012 \$'000	2011 \$'000
Consolidated income statement		
Revenue from continuing operations	313,865	369,952
Other income	8,956	60,614
Share of net profit/(loss) in associates and joint venture partnership accounted for using the equity method	6,309	3,198
Expenses from ordinary activities, excluding finance costs	(359,396)	(391,593)
Finance costs	(7,012)	(12,569)
Profit/(loss) before income tax	(37,278)	29,602
Income tax benefit/(expense)	922	(9,029)
Profit/(loss) for the year	(36,356)	20,573
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	52,020	44,145
Profit/(loss) for the year	(36,356)	20,573
Changes in membership of the Closed Group	(360)	-
Dividends provided for or paid	(9,524)	(12,698)
Retained earnings at the end of the financial year	5,780	52,020

(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 10.

	Consolidated	
	2012 \$'000	2011 \$'000
Current assets		
Cash and cash equivalents	20,143	21,556
Trade and other receivables	68,197	102,505
Inventories	115,445	127,499
Current tax receivables	307	-
Other	506	633
Total current assets	204,598	252,193
Non-current assets		
Receivables	21,106	22,458
Inventories	224,761	206,593
Investments accounted for using the equity method	62,444	67,236
Property, plant and equipment	958	976
Deferred tax assets	77	-
Intangible assets	3,316	3,316
Other	231	278
Total non-current assets	312,893	300,857
Total assets	517,491	553,050
Current liabilities		
Trade and other payables	61,152	52,574
Interest bearing liabilities	11,561	20,544
Non-interest bearing liabilities	23,655	15,050
Derivative financial instruments	755	352
Current tax liabilities	-	2,830
Provisions	3,968	4,254
Total current liabilities	101,091	95,604
Non-current liabilities		
Interest bearing liabilities	104,019	105,637
Non-interest bearing liabilities	12,910	-
Deferred tax liabilities	-	5,637
Provisions	1,448	1,789
Total non-current liabilities	118,377	113,063
Total liabilities	219,468	208,667
Net assets	298,023	344,383
Equity		
Contributed equity	292,367	292,367
Reserves	(124)	(4)
Retained profits	5,780	52,020
Total equity	298,023	344,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

12 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	Devine Limited	
	2012 \$'000	2011 \$'000
Statement of financial position		
Current assets	250,336	248,327
Non-current assets	185,980	218,350
Total assets	436,316	466,677
Current liabilities	73,239	59,571
Non-current liabilities	58,009	99,631
Total liabilities	131,248	159,202
Shareholders' equity		
Contributed equity	292,367	292,367
Reserves	(228)	(4)
Retained earnings	12,929	15,112
	305,068	307,475
Profit or loss for the year	7,340	263
Total comprehensive income	7,014	263

(b) Guarantees entered into by the Parent Entity

Devine Limited and controlled entities have provided bank guarantees and surety bonds totalling \$40.9m at 30 June 2012 (2011: \$46.2m) 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.

Devine Limited together with its joint venture partner has provided financiers with performance guarantees in relation to apartment sales and leasing of a commercial property. No liabilities are expected to arise.

Devine Limited has provided a performance guarantee for deferred land payments to a land owner totalling \$16.0m over an 18 month period. Any liabilities arising are subject to the timing of land sales on the project and are expected to be fully recouped.

Devine Limited and its joint venture partners have provided guarantees for the performance of the joint ventures for debt totalling \$28.2m at 30 June 2012. The debt is secured against assets of the joint ventures and is to be repaid from the land sales of the joint ventures. No liabilities are expected to arise.

Devine Limited also provides performance and financial guarantees for land acquisitions, construction and developments in the normal course of its business operations. 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 11.

(c) Contingent liabilities of the Parent Entity

For information about contingencies of the Group, refer to Note 36.

13 NON-CURRENT ASSETS - INVENTORIES

	Consolidated	
	2012 \$'000	2011 \$'000
Work in progress		
Work in progress	47,563	51,541
	47,563	51,541
Land held for sale		
Acquisition	180,415	188,481
Development costs capitalised	54,596	40,615
	235,011	229,096
Total	282,574	280,637

14 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Display home furniture and equipment \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2012			
Opening net book amount	130	846	976
Additions	782	377	1,159
Disposals	-	(54)	(54)
Depreciation charge	(194)	(416)	(610)
Depreciation write back on disposals	-	17	17
Closing net book amount	718	770	1,488
At 30 June 2012			
Cost	1,299	4,948	6,247
Accumulated depreciation	(581)	(4,178)	(4,759)
Net book amount	718	770	1,488
	Display home furniture and equipment \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2011			
Opening net book amount	229	704	933
Additions	49	519	568
Depreciation charge	(148)	(377)	(525)
Closing net book amount	130	846	976
At 30 June 2011			
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 2012

15 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Brand name \$'000	Total \$'000
At 30 June 2012		
Cost	3,316	3,316
Net book amount	3,316	3,316
	Brand name \$'000	Total \$'000
At 30 June 2011		
Cost	3,316	3,316
Net book amount	3,316	3,316

(a) Impairment tests for 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 a three 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.

16 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	Consolidated	
	2012 \$'000	2011 \$'000
Retention funds	231	278

17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated	
	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	14	17
Employee benefits	1,739	1,810
Provisions	334	797
Establishment fees	512	831
Fair value adjustment on debtors	304	608
Investment in associates	2,556	3,283
Accrued expenses	415	522
Tax losses	15,026	488
Other	2	6
Mark-to-market adjustments on derivative financial instruments	226	106
Total deferred tax assets	21,128	8,468
Set-off of deferred tax liabilities pursuant to set-off provisions	(21,128)	(8,468)
Net deferred tax assets	-	-
Movements:		
Opening balance at 1 July	8,468	8,106
Credited/(charged) to the statement of comprehensive income	12,548	342
Prior year adjustments	(28)	41
Charges directly to equity	140	(21)
Set-off	(21,128)	(8,468)
Closing balance at 30 June	-	-

18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Trade payables	46,483	46,993
Other payables	18,386	12,827
	64,869	59,820

19 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000
Bank loans	32,163	28,294

Information relating to assets pledged as security is set out in Note 22(b).

20 CURRENT LIABILITIES - NON-INTEREST BEARING LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000
Secured		
Vendor funding	26,126	17,708

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

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2012 \$'000	2011 \$'000
Non-current liabilities		
Interest rate - cash flow hedges	755	352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

22 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000
Secured non-current borrowings	100,712	105,632
(a) Total secured liabilities		
Total secured liabilities	132,875	133,926

(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	
	2012 \$'000	2011 \$'000
Current		
Inventory	113,878	130,463
Cash and cash equivalents	20,143	21,556
Receivables	63,676	54,551
Current tax receivables	307	-
Other assets	506	633
Total current assets pledged as security	198,510	207,203
Non-current		
First mortgage		
Inventories	282,574	280,637
Floating charge		
Receivables - non-current	20,798	28,366
Investments accounted for using the equity method	62,444	67,236
Plant and equipment	1,488	976
Intangible assets	3,316	3,316
Other non-current assets	231	278
Total non-current assets pledged as security	370,851	380,809
Total assets pledged as security	569,361	588,012

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

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

	Consolidated	
	2012 \$'000	2011 \$'000
Total facilities		
Bank loans	192,315	198,626
Used at balance date		
Bank loans	132,875	133,926
Unused at balance date		
Bank loans	59,440	64,700

23 NON-CURRENT LIABILITIES - NON-INTEREST BEARING LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000
Secured		
Vendor funding	15,793	16,984

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

24 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated	
	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:		
Inventories	22,789	15,944
Income received in advance	386	-
	23,175	15,944
Set off of deferred tax liabilities pursuant to set off provisions (Note 17)	(21,128)	(8,468)
Net deferred tax liabilities	2,047	7,476
Movements:		
Opening balance at 1 July	15,944	11,872
Charged/(credited) to the statement of comprehensive income	7,231	4,072
Closing balance at 30 June	23,175	15,944

25 CONTRIBUTED EQUITY

(a) Share capital

	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Ordinary shares, fully paid	158,730,556	634,918,223	292,367	292,367

(b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2011	Opening balance	634,918,223	292,367
9 November 2011	Share consolidation*	(476,187,667)	-
30 June 2012	Balance	158,730,556	292,367

* In November 2011 a consolidation of shares, whereby shareholders received 1 share for every 4 shares previously held, occurred. For pre-consolidation parcels of shares not divisible by 4, the number of post-consolidation shares issued was rounded up to the nearest 1 share and accordingly the total number of shares on issue post consolidation is not exactly one quarter of those on issue prior to the consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

(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 2012 and 30 June 2011 were as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Interest and non-interest bearing loans and borrowings	174,794	168,618
Less: cash and cash equivalents	(20,143)	(21,556)
Net debt	154,651	147,062
Total assets	569,361	588,012
Less: cash and cash equivalents	(20,143)	(21,556)
Assets	549,218	566,456
Gearing ratio	28%	26%

26 RESERVES AND RETAINED EARNINGS

(a) Reserves

	Consolidated	
	2012 \$'000	2011 \$'000
Hedging reserve - cash flow hedges	(436)	(215)
Share based payments reserve	312	210
	(124)	(5)
Movements:		
Hedging reserve - cash flow hedges *		
Balance 1 July 2011	(215)	(263)
Revaluation - gross	(361)	69
Deferred tax	140	(21)
Balance 30 June 2012	(436)	(215)

* 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.

Movements:

Share based payments reserve		
Balance 1 July 2011	210	158
Option expense	102	52
Balance 30 June 2012	312	210

(b) Retained earnings

Movements in retained earnings were as follows:

Balance 1 July 2011	51,635	44,145
Net profit/loss for the year	(12,893)	20,188
Dividends	(9,524)	(12,698)
Balance 30 June 2012	29,218	51,635

27 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 \$'000	2011 \$'000
Cash at bank and in hand	20,143	21,556

28 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2012 \$'000	2011 \$'000
Profit/(loss) for the year	(12,893)	20,188
Non-cash items		
Depreciation and amortisation	610	525
Interest capitalised	(8,822)	1,962
Non-cash employee benefits expense - share based payments	103	52
Provision for doubtful debts	47	81
Provision for employee benefits	3,181	226
Provision for repossessions	368	218
Provision for warranties	17	(192)
Fair value (gains)/losses on financial assets at fair value through profit or loss	(63)	-
Share of (profits)/losses of joint ventures not received as dividends or distributions	4,190	1,647
Change in operating assets and liabilities		
Decrease/(increase) in trade and sundry debtors	(1,576)	6,097
Decrease/(increase) in prepayments	2,618	3,041
Decrease/(increase) in inventories	35,931	44,685
Increase/(decrease) in trade creditors and accruals	11,274	(9,018)
Increase/(decrease) in provision for income taxes payable	(2,012)	2,211
Increase/(decrease) in provision for deferred income tax	(5,429)	3,710
Net cash inflow/(outflow) from operating activities	27,544	75,433

29 COMMITMENTS

Non-cancellable operating leases

	Consolidated	
	2012 \$'000	2011 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,172	3,079
Later than one year but not later than five years	1,288	2,974
Later than five years	29	65
	3,489	6,118

Operating leases have an average remaining lease term of 1.89 years. Assets that are the subject of operating leases include motor vehicles and office premises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

30 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 2012, 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 - 2012							
6 Mar 2002	6 Mar 2012	125,000	-	-	(125,000)	-	-
6 Sep 2006	6 Sep 2016	40,250	-	-	-	40,250	40,250
2 Jul 2007	2 Jul 2017	58,250	-	-	-	58,250	58,250
1 Jul 2008	1 Jul 2018	109,750	-	-	-	109,750	109,750
1 Jul 2010	1 Jul 2015	830,000	-	-	-	830,000	-
28 Oct 2011	28 Oct 2016	-	437,750	-	-	437,750	-
Total		1,163,250	437,750	-	(125,000)	1,476,000	208,250
Weighted average exercise price*		\$1.56	\$0.91	-	\$1.85	\$1.35	\$3.87

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	125,000	-	-	-	125,000	125,000
6 Sep 2006	6 Sep 2016	40,250	-	-	-	40,250	40,250
2 Jul 2007	2 Jul 2017	58,250	-	-	-	58,250	58,250
1 Jul 2008	1 Jul 2018	217,000	-	-	(107,250)	109,750	109,750
1 Jul 2010	1 Jul 2015	-	830,000	-	-	830,000	-
Total		440,500	830,000	-	(107,250)	1,163,250	333,250
Weighted average exercise price*		\$3.12	\$0.96	-	\$3.16	\$1.56	\$3.12

* Number of options on issue and weighted average exercise price have been restated to reflect the 4 for 1 share consolidation in November 2011.

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%.

(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	
	2012 \$'000	2011 \$'000
Options issued under executive option plan	103	52

31 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Chairman - Non-executive

P J Dransfield (Chairman appointed from 1 July 2012)

D J Ridley (resigned as Chairman on 30 June 2012)

Executive Directors

D B Keir (Managing Director and Chief Executive Officer)

Non-executive Directors

P J Ferris AM, KCSG (retired on 28 October 2011)

R W Parris

Hon. T M Mackenroth

G E McOrist

T G Young

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 and South Australia

A Brimblecombe

General Manager, Queensland

T Conway

Manager, Apartments and Property Development

S Weightman (resigned on 3 January 2012)

General Manager, South Australia

(c) Key management personnel compensation

	Consolidated	
	2012 \$	2011 \$
Short-term employee benefits	3,569,187	4,929,168
Post-employment benefits	424,398	363,008
Share-based payments	88,601	214,010
	4,082,186	5,506,186

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

(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:

2012 Name	Balance at start of the year*	Granted as compensation	Expired/ lapsed	Balance at end of the year	Vested and exercisable	Unvested
Directors of Devine Limited						
D B Keir	350,000	437,750	-	787,750	-	787,750
Other key management personnel of the Group						
V Grayson	455,000	-	(125,000)	330,000	130,000	200,000
P Cochrane	190,000	-	-	190,000	-	190,000
T Conway	78,250	-	-	78,250	78,250	-

* Opening balance of options held has been restated to reflect the 4 for 1 share consolidation in November 2011.

2011 Name	Balance at start of the year*	Granted as compensation*	Expired/ lapsed*	Balance at end of the year*	Vested and exercisable*	Unvested*
Directors of Devine Limited						
D B Keir	-	350,000	-	350,000	-	350,000
Other key management personnel of the Group						
V Grayson	255,000	200,000	-	455,000	255,000	200,000
P Cochrane	-	190,000	-	190,000	-	190,000
T Conway	78,250	-	-	78,250	78,250	-
S Weightman	46,000	-	(46,000)	-	-	-
J Kerr	61,250	-	(61,250)	-	-	-

* Comparative year option holdings have been restated to reflect the 4 for 1 share consolidation in November 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.

2012 Name	Balance at the start of the year*	Other changes during the year	Balance at the end of the year
Directors of Devine Limited			
Ordinary shares			
D B Keir	17,500	-	17,500
P J Dransfield	-	100,000	100,000
D J Ridley	123,016	-	123,016
P J Ferris AM, KCSG	112,500	(112,500)**	-
R W Parris	121,476	-	121,476
Hon. T M Mackenroth	52,353	-	52,353
V A Vella	184,750	-	184,750
G E McOrist	60,402	-	60,402
T G Young	263,125	100,000	363,125
Other key management personnel of the Group			
Ordinary shares			
V Grayson	250,000	-	250,000
A Brimblecombe	10,000	15,000	25,000
T Conway	4,200	-	4,200

* Opening balances have been restated to reflect the 4 for 1 share consolidation in November 2011.

** This represents shareholdings of related parties at the date of the Director's retirement which are required to be excluded.

2011 Name	Balance at the start of the year*	Other changes during the year*	Balance at the end of the year*
Directors of Devine Limited			
Ordinary shares			
D B Keir	17,500	-	17,500
D J Ridley	123,016	-	123,016
P J Ferris AM, KCSG	112,500	-	112,500
R W Parris	121,476	-	121,476
Hon. T M Mackenroth	52,353	-	52,353
V A Vella	184,750	-	184,750
G E McOrist	60,402	-	60,402
T G Young	-	263,125	263,125
Other key management personnel of the Group			
Ordinary shares			
V Grayson	250,000	-	250,000
A Brimblecombe	-	10,000	10,000
T Conway	4,200	-	4,200

* Comparative year shareholdings have been restated to reflect the 4 for 1 share consolidation in November 2011.

(e) Loans to key management personnel

No loans were secured or made during the year ended 30 June 2012 (2011: Nil).

(f) Other transactions with key management personnel

Other than as disclosed in Note 34, there have been no transactions with key management personnel or their related parties for the year ending 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

32 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	
	2012 \$	2011 \$
Ernst & Young		
(i) Audit and other assurance services		
Audit and review of financial statements	283,250	275,000
Other assurance services		
Other assurance and technical accounting services	21,000	10,500
Total remuneration for audit and other assurance services	304,250	285,500
(ii) Taxation services		
Tax compliance services	22,754	98,910
Total remuneration for taxation services	22,754	98,910
Total auditors' remuneration	327,004	384,410

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

A fully franked final dividend in respect of the 2012 financial year of 2 cents per share was declared by Directors on 22 August 2012 (2011: 4 cents*). No provision has been recognised in the Statement of Financial Position as at 30 June 2012.

There have been no other significant events which have occurred post 30 June 2012.

* Comparative year dividends per share have been restated to reflect the 4 for 1 share consolidation in November 2011.

34 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 Servicios SA, incorporated in Spain.

(b) Directors

Mr R W Parris is a Director of Queensland Property Consultants Pty Ltd. Fees totalling \$11,760 (2011: \$54,205) were paid or payable to Queensland Property Consultants Pty Ltd during the year in respect of property advisory services provided to Devine Limited and its controlled entities. These fees were determined under normal commercial terms and conditions.

(c) Transactions with Joint Ventures

Fees of \$511,681 (2011: \$1,193,923) were paid in respect of performance guarantees provided by a related party for certain joint venture construction activities.

(d) Revenue from related parties

	Consolidated	
	2012 \$'000	2011 \$'000
Sales of goods and services		
Interest received/receivable from related parties	862	719
Revenue from project management services provided to joint venture projects	6,322	7,580
Revenue from construction services provided to joint venture projects	112,094	53,783
	119,278	62,082

(e) Amounts owed by related parties

Loans advanced to joint ventures	23,212	19,516
Trade receivables owing by joint ventures	6,751	13,233
	29,963	32,749

(f) Amounts owed to related parties

Trade payables owing to joint ventures	8,929	-
	8,929	-

(g) Guarantees

Devine Limited together with its joint venture partner has provided financiers with performance guarantees in relation to apartment sales and leasing of a commercial property. No liabilities are expected to arise.

Devine Limited and its joint venture partners have provided guarantees for the performance of the joint ventures for debt totalling \$28.2m at 30 June 2012. The debt is secured against assets of the joint ventures and is to be repaid from the land sales of the joint ventures. No liabilities are expected to arise.

(h) Terms and conditions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

35 INTERESTS IN JOINT VENTURES

(a) Joint venture operations

	Percentage interest held	
	2012	2011
Bacchus Marsh Joint Venture	50	50
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

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	
	2012 \$'000	2011 \$'000
Current assets	12,025	20,042
Non-current assets	31,852	16,288
Total assets	43,877	36,330
Share of assets employed in joint ventures	43,877	36,330
Current liabilities	32,868	11,453
Non-current liabilities	11,098	24,228
Total liabilities	43,966	35,681
Share of liabilities employed in joint ventures	43,966	35,681
Net assets	(89)	649

(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.

	Percentage ownership interest	
	2012	2011
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	50
Kurunjang Development Trust	50	50
Wallan Project Trust	50	-

	Consolidated	
	2012 \$'000	2011 \$'000
Carrying value of investments accounted for using the equity method	62,444	67,236

	Consolidated	
	2012 \$'000	2011 \$'000
Investments accounted for using the equity method		
Current assets	71,768	86,416
Non-current assets	39,882	50,768
Total assets	111,650	137,184
Current liabilities	33,880	56,524
Non-current liabilities	10,837	13,732
Total liabilities	44,717	70,256
Net assets	66,933	66,928
Share of joint venture entities' revenue, expenses and results		
Revenues	104,114	12,220
Expenses	(97,605)	(9,022)
Profit before income tax	6,509	3,198

36 CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 30 June 2012 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 \$40.9m at 30 June 2012 (2011: \$46.2m) 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 together with its joint venture partner has provided financiers with performance guarantees in relation to apartment sales and leasing of a commercial property. No liabilities are expected to arise.

The Group has provided a performance guarantee for deferred land payments to a land owner totalling \$16.0m over an 18 month period. Any liabilities arising are subject to the timing of land sales on the project and are expected to be fully recouped.

The Group and its joint venture partners have provided guarantees for the performance of the joint ventures for debt totalling \$28.2m at 30 June 2012. The debt is secured against assets of the joint ventures and is to be repaid from the land sales of the joint ventures. No liabilities are expected to arise.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

37 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 Managing Director and Chief Executive Officer and the board.

(a) Operating segments

	Housing and Land \$'000	Development and construction \$'000	Corporate / Other \$'000	Consolidated Total Continuing Operations \$'000
2012				
Total sales revenue	196,618	117,247	-	313,865
Interest revenue	440	1,798	1,756	3,994
Other revenue	903	4,056	14	4,973
Total segment revenue**	197,961	123,101	1,770	322,832
Operating segment result before write-downs	(1,039)	21,876	(4,763)	16,074
Write-down of inventory	(15,300)	(19,000)	-	(34,300)
Segment result	(16,339)	2,876	(4,763)	(18,226)
(Loss) before income tax				(18,226)
Income tax benefit				5,333
(Loss) for the year				(12,893)
Segment assets	407,877	130,840	30,644	569,361
Segment liabilities	74,167	66,007	107,726*	247,900
Other segment information				
Investments in associates and joint ventures	12,064	50,380	-	62,444
Share of net profits of associates and joint ventures	31	6,478	-	6,509
Depreciation and amortisation expense	365	48	197	610
Write-down of inventory (Note 4)	15,300	13,000	-	28,300
Write-down of inventory in joint venture entity (Note 4)	-	6,000	-	6,000
Total	15,300	19,000	-	34,300
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	743	263	153	1,159

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

** Revenue of \$99.2m representing Devine's share from the settlement of apartments at the Hamilton Harbour project is not included in this figure. This revenue is recognised directly within the Hamilton Harbour joint venture entity and accounted for by Devine on a net basis through the share of profits of equity accounted joint ventures. Revenues of \$112,094,522 (2011: \$53,782,950) have been included in revenue as derived from the construction of the Hamilton Harbour project. These revenues are attributable to the Development and Construction segment.

2011	Housing and Land \$'000	Development and construction \$'000	Corporate / Other \$'000	Consolidated Total Continuing Operations \$'000
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
Total segment revenue	367,997	60,537	2,911	431,445
Segment result	31,255	1,225	(3,428)	29,052
Profit before income tax				29,052
Income tax expense				(8,864)
Profit for the year				20,188
Segment assets	395,051	164,333	28,628	588,012
Segment liabilities	49,322	79,793	114,900*	244,015
Other segment information				
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
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).

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

The Company operates in only one geographic segment; Australia.

38 EARNINGS PER SHARE

(a) Basic and diluted earnings per share *

	Consolidated 2012 Cents	2011 Cents
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	(8.1)	12.7

(b) Reconciliations of earnings used in calculating earnings per share *

	Consolidated 2012 \$'000	2011 \$'000
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	(12,893)	20,188

(c) Weighted average number of shares used as the denominator *

	Consolidated 2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	158,730,556	158,730,556
Options	-	830,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	158,730,556	159,560,556

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

* Comparative year basic and diluted EPS has been restated in accordance with AASB 133 *Earnings Per Share* to reflect the 4 for 1 share consolidation in November 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

39 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 2012 and 2011, 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.

Consolidated	Impact on post-tax profit		Impact on other components of equity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
+1% (100 basis points)	(586)	(305)	542	683
1% (100 basis points)	750	785	(677)	-

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

	30 June 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Bank overdrafts and bank loans	7.1%	132,875	8.3%	133,926
Value of variable rate borrowings effectively hedged		(125,000)		(75,000)
Net exposure to cash flow interest rate risk		7,875		58,926

(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 Australian registered banks or institutions recognised by the Australian Prudential Regulation Authority (APRA) as Authorised Deposit-taking Institutions (ADIs) 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	
	2012 \$'000	2011 \$'000
Trade receivables		
Trade receivables	84,079	82,506
Other receivables	395	411
	84,474	82,917
Cash at bank and short-term bank deposits		
A+	-	1,394
AA	-	10,162
AA-	20,143	-
BBB+	-	10,000
	20,143	21,556
Retentions		
Not rated	231	278

(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	
	2012 \$'000	2011 \$'000
Floating rate		
Expiring beyond one year	59,440	64,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2012

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 2012						
Non-derivatives						
Non-interest bearing	22,226	3,900	10,555	6,600	-	43,281
Interest bearing	14,813	26,648	20,207	93,062	-	154,730
Trade payable	53,852	11,017	-	-	-	64,869
Total	90,891	41,565	30,762	99,662	-	262,880
At 30 June 2011						
Non-derivatives						
Non-interest bearing	15,050	9,258	10,384	-	-	34,692
Interest bearing	16,959	20,173	26,484	103,898	-	167,514
Trade payable	54,700	5,120	-	-	-	59,820
Total	86,709	34,551	36,868	103,898	-	262,026
Derivatives						
Gross settled						
- outflow	205	205	142	141	-	693

(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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities required to be measured and recognised at fair value at 30 June 2012.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2012				
Liabilities				
Derivatives used for hedging	-	755	-	755
Total liabilities	-	755	-	755
At 30 June 2011				
Liabilities				
Derivatives used for hedging	-	352	-	352
Total liabilities	-	352	-	352

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.

DIRECTORS' DECLARATION

30 June 2012

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 40 to 76 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 2012 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 10 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 11.

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.



P J Dransfield
Chairman

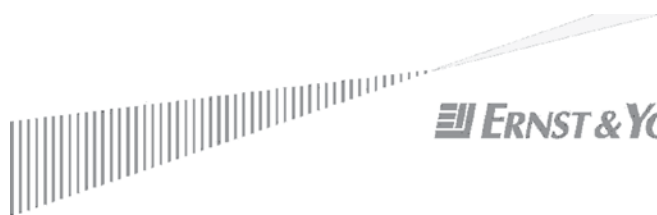


D B Keir
Managing Director and CEO

Melbourne
18 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

30 June 2012



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 2012, 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 judgment, 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.

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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Alison de Groot
Partner
Brisbane
18 September 2012

SHAREHOLDER INFORMATION

30 June 2012

The shareholder information set out below was applicable as at 10 September 2012.

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 - 1000	1,011	399,520	-	-
1,001 - 5,000	1,420	3,869,199	-	-
5,001 - 10,000	617	4,577,997	-	-
10,001 - 100,000	862	22,581,296	2	168,250
100,001 - and over	92	127,302,544	3	1,307,750
	4,002	158,730,556	5	1,476,000

There were 872 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	79,804,389	50.28
Brazil Farming Pty Ltd	10,115,995	6.37
HSBC Custody Nominees (Australia) Pty Ltd	5,083,852	3.20
Citicorp Nominees Pty Limited	4,190,698	2.64
Leagou Funds Management Pty Ltd	1,815,482	1.15
National Nominees Limited	1,654,478	1.04
JP Morgan Nominees (Australia) Pty Ltd	1,228,433	0.77
Wenola Pty Ltd	1,221,296	0.77
Balzac Investment Pty Ltd	1,124,950	0.71
Wilmar Enterprises Pty Ltd	975,000	0.61
Contemplator Pty Ltd	900,000	0.57
Queensland Investment Corporation	893,467	0.56
Hugh Green Foundation	842,500	0.53
Ruminator Pty Ltd	621,021	0.39
Luton Pty Ltd	600,000	0.38
Ms Marian Rose Allen	590,000	0.37
South Seas Holdings Pty Ltd	546,750	0.34
Di Iulio Homes Pty Limited	505,000	0.32
Diales Pty Limited	500,000	0.31
Mr David Graham Lethbridge & Mrs Margaret Hilda Lethbridge	450,770	0.28
	113,664,081	71.59

C. Substantial holders

Substantial holders in the company are set out below:

Ordinary shares	Percentage of Issued shares	
	Number held	Percentage of Issued shares
Leighton Residential Investments Pty Ltd	79,804,389	50.28%
Brazil Farming Pty Ltd	10,115,995	6.37%

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

	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000
Revenues from ordinary activities	577,519	427,734	570,865	425,173	313,865
Profit/(Loss) from ordinary activities before Interest & Tax	68,226	36,961	29,969	42,500	(11,214)
Profit/(Loss) from ordinary activities before Tax	45,306	20,630	11,507	29,052	(18,226)
Profit/(Loss) from discontinued operations before Tax	-	928	125	-	-
Profit/(Loss) after Tax	31,850	16,699	8,158	20,188	(12,893)
Net profit/(loss) attributable to members of Devine Ltd	31,850	16,699	8,158	20,188	(12,893)
Dividends declared, paid or provided for	20,902	20,250	-	12,698	9,524
Retained earnings	39,538	35,987	44,145	51,635	29,218
Total assets	759,393	673,184	559,682	588,012	569,361
Net assets/shareholders equity	251,574	265,283	336,407	343,997	321,461
Net tangible assets	234,689	248,229	333,091	340,681	318,145
Number of ordinary shares on issue ('000)	71,425*	78,872*	158,730*	158,730*	158,731
Net tangible assets per ordinary share (cents)	328.6	314.7	209.8	214.6	200.4
Earnings per ordinary share (cents)	48.4	19.6	7.2	12.7	(8.1)
Dividends per ordinary share (cents)					
Interim	16.0	12.0	-	4.0	2.0
Final	16.0	-	4.0	4.0	2.0
Total	32.0	12.0	4.0	8.0	4.0
Closing share price (cents)	322.0*	176.0*	94.0*	100.0*	58.0
Return on shareholders equity (%)	14.3**	6.3	2.7***	5.9	(3.9)
Dividend yield % (before grossed up effect of franking credits)	9.9	6.8	4.3	8.0	6.9
Price/earnings ratio (times)	6.7	9.0	13.1	7.9	N/A

* Comparatives have been restated to reflect 4 for 1 share consolidation at November 2011.

** 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 the issue of shares for Rights Issue and Institutional Placement in March 2010. Current and comparative year EPS and diluted EPS have been restated in accordance with AASB 133 *Earnings per Share*.

CORPORATE DIRECTORY

DIRECTORS

P J Dransfield (Chairman appointed from 1 July 2012)

D J Ridley (resigned as Chairman on 30 June 2012)

D B Keir (Managing Director and CEO)

P J Ferris AM, KCSG (retired 28 October 2011)

Hon. T M Mackenroth

G E McOrist

R W Parris

T G Young

V A Vella

CHIEF FINANCIAL OFFICER

P V Cochrane

COMPANY SECRETARY

V N Grayson

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Devine Limited will be held at:

Customs House, 399 Queen Street, Brisbane

time: 10.30am

date: 23 November 2012

REGISTERED OFFICE IN AUSTRALIA

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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 51, 111 Eagle Street, Brisbane, Queensland 4000

SOLICITORS

McCullough Robertson

Level 11, 66 Eagle Street, Brisbane, Queensland 4000

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Level 20, 111 Eagle Street Brisbane, Queensland 4000

STOCK EXCHANGE LISTINGS

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

WEBSITE ADDRESS

www.devine.com.au



Devine Limited

ABN 51 010 769 365

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