Devine
LIMITED
A.C.N. 010 769 365

# Directors' Comments

## Half-Year Ended 31 December 2004

23 February 2005

The Directors of Devine Limited announce an after tax profit of $5.764M for the 6 months ended 31 December 2004. This result, whilst 28% lower than the corresponding period last year, is consistent with the profit guidance given by Directors in August and again in November 2004 which forecast a lower result than for the corresponding period last year. The delays experienced in accessing developed land stocks to enable housing construction to occur and the pressure on housing margins were the primary reasons for the lower result.

Basic EPS were 4.9 cents per share (December 2003 7.4 cents) with the lower result, in part, attributable to the increased shares on issue following the company's Share Purchase Plan issue in November 2004. The basic net tangible asset backing per share has increased to 68.5 cents, up from 64.9 cents at December 2003.

Revenue increased by 7.9% to $198.5M (Dec. 2003 half, $183.9M) reflecting the progress made on the company's large CBD developments, however, net margins flowing from these projects were not sufficient to offset the lower revenue and margins generated by the Housing Division.

Directors have declared a fully franked interim dividend of 4.0 cents per share in relation to the company's ordinary shares (last year 4.0 cents).

A summary of the half-year's results and related commentary follows:

| | Half-Year Ended Dec. 2004 $000's | Dec. 2003 $000's |
|---|---|---|
| Revenue | 198,539 | 183,933 |
| Operating Profit before Tax | 8,321 | 11,296 |
| Operating Profit After Tax | 5,764 | 8,025 |
| Net Profit Attributable to Shareholders | 5,764 | 8,025 |
| EPS (Basic) | 4.9 cents | 7.4 cents |
| EPS (Diluted) | 4.8 cents | 7.1 cents |
| NTA per Share (Basic) | 68.5 cents | 64.9 cents |
| Interim Dividend – Ordinary Shares (fully franked) | 4.0 cents | 4.0 cents |

## Market Conditions

The softening in the Housing market, which was flagged in the August 2004 report to shareholders, continued through the remainder of the year. The company's recent post Christmas marketing campaigns produced good levels of enquiries however, affordability continued to be a key factor in precluding many prospective homebuyers from concluding a purchase. Negative media comment about the direction of house prices and the threat of interest rate rises also had an adverse impact on market sentiment.

The market for CBD residential developments also received mixed media comment however the fundamentals of the market remained strong.

## Housing Division

As noted above, lower activity levels and the delays experienced in starting houses on developed land combined to produce the lower results for this Division when compared to last year. Also impacting on the results were the increased costs from trades and suppliers, which had an adverse impact on housing margins. Revenues were 11.5% down on the corresponding period last year and profits were 40% lower.

The new land stocks acquired during the 2003/04 year, predominantly in southeast Queensland, are being processed through the design and council approval process and should contribute to a lift in activity levels and earnings in 2005. Land stocks in both Victoria and South Australia continue to be monitored closely and will be aligned with demand for the company's products in those markets.

## Property Development Division

This Division reported a pre-tax profit of $5.942M on revenue of $92.006M for the half-year to December 2004. This was up 74% and 52% respectively on the December 2003 half results.

Sales have continued on the company's proposed new development in the Brisbane CBD, **"Charlotte Towers"** with 375 (90%) of the 416 units now sold and 345 (83%) of the total 416 units at unconditional contract and 10% deposit paid status. It is planned to commence construction in the latter part of this calendar year.

Completion of construction on the 214 unit $91M **"Casino Towers"** project in the Brisbane CBD which commenced in December 2002 is now scheduled to occur in June of this year. Only one unit remains unsold.

Construction of the 401 unit, $162M **"Festival Towers"** project is proceeding well with completion forecast to occur in March 2006. Sales have continued to be made on the project with 380 (95%) of the 401 units sold and 372 (93%) of the total units in the project at unconditional contract and 10% deposit paid status.

The staged completion of the **"Victoria Point Docklands"** project in Melbourne is now forecast to occur ahead of the original timetable with the stand alone nine storey Commercial Building and Serviced Apartments stages completing in August 2005 and October 2005 respectively and the residential tower early in the March 2006 quarter. There are 13 units available for sale.

Plans associated with the conditional purchase of a prime residential development site at **Currumbin** on the Gold Coast have progressed favourably over the last 6 months. This $27M acquisition is subject to Devine securing a satisfactory development approval for the site from the Gold Coast City Council. Detailed design work has progressed in close consultation with the council.

With the progress made to date, the company continues to anticipate a positive outcome in relation to this potential major future residential development.

## Finance Division

The loss of $1.961M reported for the half-year (December 2003 half, $589K profit) was in line with budget expectations. It should be noted that significant profits flow from the wind up of First Permanent's "Term Bonds" when they occur from time to time. This was the case in respect to the December 2003 half results and a similar injection of profits is expected to flow from the next term bond wind up which is forecast to occur in the June 2005 half.

As previously advised, the new "Establishment Loan" product which is being marketed external to Devine's customers continues to attract encouraging levels of new loan applications and approvals. Directors' will continue to closely monitor the performance of this new business initiative.

## Future Outlook

Media comment and official market statistics highlight the softer market conditions that prevail in the housing and property sectors. Despite this, the underlying demand for new housing remains buoyant with affordability in relation to the first homebuyer segment being the major impediment to increased activity levels for Devine. Market forecasters are predicting a range of between 155,000 to 170,000 house commencements in Australia in the 2005/06 year. In historical terms, this remains a robust level of activity. Market statistics do not detect any significant over supply conditions in the markets in which the company operates.

Allied to this, the recent forecasts of interest rate rises are modest by historical standards and are not expected to contribute to a significant downturn in demand.

The company's major development projects continue to progress well and are expected to produce above budgeted results when completed. As stated in the last report to shareholders, the construction environment in the Brisbane CBD which has seen a significant escalation in costs over the last eighteen months presents some challenges in preserving acceptable margins on projects yet to commence.

In relation to the Housing Division, the timing of completion of land developments and the direction that market conditions take generally will largely determine the company's results for the June 2005 half.

With the delays experienced in completing land developments, the softer housing market in the first homebuyer segment and the postponement of the commencement of the Charlotte Towers project, the full year result is now expected to be in line with that of the 2003/04 year.

***For further information contact:***

Viv Grayson
Company Secretary
Devine Limited
Ph: (07) 3380 2531

# Appendix 4D

## Half year report

Name of Entity

**Devine Limited**

| ABN or equivalent company reference | Financial half year ended ('current period') | Financial half year ended ("Previous Corresponding period") |
|---|---|---|
| 51 010 769 365 | 31 December 2004 | 31 December 2003 |

### Results for announcement to the market

| | | | | $A'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | up | **7.9%** | to | **198,539** |
| Profit (loss) from ordinary activities after tax attributable to members | down | **28.2%** | to | **5,764** |
| Net profit (loss) for the period attributable to members | down | **28.2%** | to | **5,764** |

### Dividends

| | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend - 2003/04 year, paid November 04 | **4¢** | **4¢** |
| Interim dividend | **4¢** | **4¢** |

| | |
|---|---|
| Record date for determining entitlements to the dividend. | **21 April 2005** |

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:
**The interim dividend of 4 cents per ordinary share has been declared post 31 December 2004 and, therefore, in accordance with the adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", no provision has been recognised in the Statement of Financial Position as at 31 December 2004.**

### Statement of Financial performance, Statement of Financial Position, Statement of Cash Flows and Notes.

**Refer Attached**

### Dividends (in the case of a trust, distributions)

| | |
|---|---|
| Date the dividend (distribution) is payable | **13 May 2005** |
| Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved) | **21 April 2005** |
| If it is a final dividend, has it been declared? | **N/A** |

## Amount per security

| | | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign source dividend |
|---|---|---|---|---|
| **Final dividend:** | Previous year | 4 ¢ | 4 ¢ | 0 ¢ |
| **Interim dividend:** | Current year | 4 ¢ | 4 ¢ | 0 ¢ |
| | Previous year | 4 ¢ | 4 ¢ | 0 ¢ |

The dividend or distribution plans shown below are in operation.

**The company has reinstated it's "Dividend Reinvestment Scheme". Shareholders who hold shares in Devine Limited on the record date may elect to have all or part of their dividend entitlement paid by way of an allocation of ordinary shares in the company. The number of shares to be issued will be calculated by dividing the dividends to be reinvested by the issue price of the new shares. The issue price of the new shares will be the weighted average price of Devine Limited's ordinary shares traded during the 10 trading days after the record date less a discount of 7.5%.**

| | |
|---|---|
| The last date(s) for receipt of election notices for the dividend or distribution plans | **21 April 2005** |

## Statement of Retained Earnings

| | Current period - $A'000 | Previous corresponding period - $A'000 |
|---|---|---|
| Retained profits (accumulated losses) at the beginning of the financial period | **47,365** | **39,995** |
| Net profit (loss) attributable to members | **5,764** | **8,025** |
| Dividends and other equity distributions paid or payable | **(4,648)** | **(4,141)** |
| **Retained profits (accumulated losses) at end of financial period** | **48,481** | **43,879** |

| **Net tangible Assets (NTA)** | Current period | Previous corresponding period |
|---|---|---|
| Basic NTA | **68.5 ¢** | **64.9 ¢** |
| Diluted NTA | **66.7 ¢** | **64.9 ¢** |

## Control gained over entities having material effect

| | |
|---|---|
| Name of entity (or group of entities) | **N/A** |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired | **N/A** |
| Date from which such profit has been calculated | **N/A** |
| Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period | **N/A** |

## Loss of control of entities having material effect

| | |
|---|---|
| Name of entity (or group of entities) | N/A |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control | N/A |
| Date to which the profit (loss) in item 14.2 has been calculated | N/A |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period | N/A |
| Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control | N/A |

## Details of aggregate share of profits (losses) of associates and joint venture entities

| | |
|---|---|
| Name of associate/joint venture entity | N/A |
| Reporting entity's percentage holding in associate/joint venture entity | N/A |
| Aggregate share of profit/(loss) of the associate/joint venture entity | N/A |
| Contribution to consolidated profit (loss) from ordinary activities | N/A |

| **Earnings per security (EPS)** | Current period | Previous corresponding period |
|---|---|---|
| Basic EPS | **4.9 ¢** | **7.4 ¢** |
| Diluted EPS | **4.8 ¢** | **7.1 ¢** |

## Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX

Identify other standards used: **N/A**

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies, other than as disclosed

3 This report does/~~does not~~* (delete one) give a true and fair view of the matters disclosed

4 This report is based on accounts to which one of the following applies.
*(Tick one)*

| | | | |
|---|---|---|---|
| | The accounts have been audited. | **X** | The accounts have been subject to review. |
| | The accounts are in the process of being audited or subject to review. | | The accounts have not yet been audited or reviewed. |

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* *(delete one)*.

6 The entity has/~~does not have~~* *(delete one)* a formally constituted audit committee.

Sign here: ............................................................ Date: **23 February 2005**
(Company Secretary)

Print name: **Vivian N Grayson**

## DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2004.

## DIRECTORS

The names and details of the directors of the company in office during the half year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

K P Prior, AM, LL.B. (Chairman)

D H T Devine, (Managing Director)

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

R W Parris, FAIM, FAICD

K M Woodley, (Marketing Director)

D J Ridley

## CHIEF FINANCIAL OFFICER/COMPANY SECRETARY

V N Grayson; B. Business (Accounting), CPA, ACIS, ACIM

## REVIEW AND RESULTS OF OPERATIONS

Refer Directors' Comments attached.

| Operating results for the half year ended 31 December 2004 | Dec-04 $'000 | Dec-03 $'000 |
|---|---|---|
| Net profit (loss) after tax attributable to members of Devine Ltd | 5,764 | 8,025 |
| **Net Tangible Assets** | | |
| Basic net tangible assets per share | 68.5 cents | 64.9 cents |
| Diluted net tangible assets per share | 66.7 cents | 64.9 cents |
| **Earnings per share** | | |
| Basic earnings per share | 4.9 cents | 7.4 cents |
| Diluted earnings per share | 4.8 cents | 7.1 cents |

## AUDITORS' INDEPENDENCE DECLARATION

Attached is a copy of the Independence Declaration received from our auditors, Ernst & Young on Page 9

## ROUNDING

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

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

K P Prior
Chairman

D H T Devine
Managing Director

Brisbane, 23 February 2005

ERNST & YOUNG

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Australia

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Brisbane QLD 4001

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

In relation to our review of the financial report of Devine Ltd for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

M J Hayward
Partner
Date: 23 February 2005

**STATEMENT OF FINANCIAL PERFORMANCE**
**HALF YEAR ENDED 31 DECEMBER 2004**

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | Dec-04 | Dec-03 |
| | | $'000 | $'000 |
| Revenues from ordinary activities | 2 | 198,539 | 183,933 |
| Expenses from ordinary activities, excluding borrowing costs expense | 3(a) | 178,887 | 165,553 |
| Borrowing costs expense | 3(b) | 11,331 | 7,084 |
| Profit (loss) from ordinary activities before income tax expense | | 8,321 | 11,296 |
| Income tax expense relating to ordinary activities | | (2,557) | (3,271) |
| Profit (loss) from ordinary activities after related income tax expense | | 5,764 | 8,025 |
| **Net profit (loss) attributable to members of Devine Limited** | | 5,764 | 8,025 |
| **Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Devine Ltd** | | 5,764 | 8,025 |
| Basic earnings per share (cents per share) | 5 | 4.9 | 7.4 |
| Diluted earnings per share (cents per share) | 5 | 4.8 | 7.1 |
| Interim Franked dividends per share (cents per share) | 4 | 4.0 | 4.0 |

## STATEMENT OF FINANCIAL POSITION
## AT 31 DECEMBER 2004

| | Notes | CONSOLIDATED Dec-04 $'000 | Jun-04 $'000 | Dec-03 $'000 |
|---|---|---|---|---|
| **CURRENT ASSETS** | | | | |
| Cash assets | | 2,139 | - | 1,949 |
| Receivables | | 28,644 | 38,505 | 29,637 |
| Inventories | | 143,984 | 90,763 | 50,229 |
| Other assets | | 4,931 | 3,402 | 5,136 |
| **TOTAL CURRENT ASSETS** | | **179,698** | **132,670** | **86,951** |
| **NON-CURRENT ASSETS** | | | | |
| Receivables | | 3,677 | 2,657 | 2,401 |
| Inventories | | 215,597 | 168,818 | 133,060 |
| Property, plant & equipment | | 8,249 | 9,855 | 11,321 |
| Intangible assets | | 3,316 | 3,316 | 3,316 |
| Other assets | | 3,228 | 3,051 | 3,250 |
| **TOTAL NON-CURRENT ASSETS** | | **234,067** | **187,697** | **153,348** |
| **TOTAL ASSETS** | | **413,765** | **320,367** | **240,299** |
| **CURRENT LIABILITIES** | | | | |
| Payables | | 48,751 | 50,471 | 39,371 |
| Interest bearing liabilities | | 112,978 | 66,173 | 29,234 |
| Provisions | | 2,800 | 3,143 | 3,846 |
| **TOTAL CURRENT LIABILITIES** | | **164,529** | **119,787** | **72,451** |
| **NON-CURRENT LIABILITIES** | | | | |
| Interest bearing liabilities | | 143,861 | 103,899 | 78,199 |
| Deferred tax liabilities | | 16,823 | 14,266 | 10,696 |
| Provisions | | 292 | 248 | 242 |
| **TOTAL NON-CURRENT LIABILITIES** | | **160,976** | **118,413** | **89,137** |
| **TOTAL LIABILITIES** | | **325,505** | **238,200** | **161,588** |
| **NET ASSETS** | | **88,260** | **82,167** | **78,711** |
| **SHAREHOLDERS' EQUITY** | | | | |
| Contributed equity | | 39,779 | 34,802 | 34,832 |
| Retained profits | | 48,481 | 47,365 | 43,879 |
| Shareholders equity attributable to members of Devine Limited | | **88,260** | **82,167** | **78,711** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **88,260** | **82,167** | **78,711** |

**STATEMENT OF CASH FLOWS**
**HALF YEAR ENDED 31 DECEMBER 2004**

| | Notes | CONSOLIDATED Dec-04 $'000 | CONSOLIDATED Dec-03 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers and associated parties | | 215,497 | 207,339 |
| Payments to suppliers and employees | (A) | (289,568) | (190,474) |
| Goods and services tax paid | | 337 | (5,337) |
| Interest received | | 212 | 266 |
| Borrowing costs paid | | (24,896) | (9,985) |
| Income tax (paid)/received | | (6) | (634) |
| **NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | (A) | **(98,424)** | **1,175** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | | (389) | (803) |
| Proceeds from sale of property, plant and equipment | | 1 | 16 |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | | **(388)** | **(787)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Borrowings - other | (A) | 111,408 | 53,707 |
| Repayment of borrowings - other | | (7,160) | (48,404) |
| Finance lease principal repayments | | (6) | (8) |
| Dividends paid | 4 | (4,648) | (4,140) |
| Proceeds from issue of shares | | 4,977 | 30 |
| **NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | (A) | **104,571** | **1,185** |
| **NET INCREASE/(DECREASE) IN CASH HELD** | | **5,759** | **1,573** |
| Add opening cash brought forward | | (3,620) | 376 |
| **CLOSING CASH CARRIED FORWARD** | | **2,139** | **1,949** |

**(A)** - The amount reflected above as "Payments to suppliers and employees" includes significant cash payments to external contractors engaged to build the company's major CBD property developments. The corresponding receipts from the funding of these property developments is shown as "borrowings - other" under "Cash Flows From Financing Activities".

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
## HALF YEAR ENDED 31 DECEMBER 2004

### 1. PREPARATION OF HALF YEAR ACCOUNTS

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full year financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Devine Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Devine Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**Basis of Accounting**

The financial statements have been prepared in accordance with the historical cost convention, except for brand names, which are held at valuation. The directors have adopted AASB 1010 "Recoverable amounts of non-current assets" and accordingly do not revalue these assets.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Accounting Standards, including AASB 1029 "Interim Financial Reporting". Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

**Share Purchase Plan (SPP)**

During the period, the company offered to existing shareholders the option to subscribe to the company's Share Purchase Plan (SPP). In accordance with ASIC requirements, applications under the SPP were limited to a maximum subscription of $5,000 per shareholder. The shares were issued at a 10% discount to the weighted average price of shares traded in the 5 days up to and including 22 October 2004. The resultant issue price was 64 cents per share. As a result of the SPP, a further 7,775,502 ordinary shares were issued, bringing the total number of ordinary shares on issue to 123,983,752.

**Comparatives**

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

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | Dec-04 | Dec-03 |
| | | $'000 | $'000 |
| **2. REVENUE FROM ORDINARY ACTIVITIES** | | | |
| **Revenue from operating activities** | | | |
| Revenue from sale of properties | | 196,602 | 178,813 |
| Revenue from loan origination & securitisation | | 1,523 | 4,832 |
| Total revenues from operating activities | | 198,125 | 183,645 |
| **Revenues from non-operating activities** | | | |
| Interest received - other persons/bodies corporate | | 212 | 266 |
| Rent received - other persons/bodies corporate | | 5 | 6 |
| Proceeds on sale of other non-current assets | | 1 | 16 |
| Sundry income - other persons/bodies corporate | | 196 | - |
| Total revenues from outside the operating activities | | 414 | 288 |
| **Total revenues from ordinary activities** | | 198,539 | 183,933 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
HALF YEAR ENDED 31 DECEMBER 2004

| | Notes | CONSOLIDATED Dec-04 $'000 | Dec-03 $'000 |
|---|---|---|---|
| **3. EXPENSES & LOSSES** | | | |
| **(a) Expenses** | | | |
| Cost of properties sold | | 146,232 | 134,117 |
| Marketing expenses | | 17,652 | 15,576 |
| Land holding expenses | | 493 | 552 |
| Occupancy expenses | | 1,279 | 1,367 |
| Employee expenses | | 9,485 | 9,573 |
| Administration expenses | | 3,262 | 3,953 |
| Cost of sale of non-current assets | | - | 27 |
| Other expenses from ordinary activities | | 484 | 388 |
| **Total expenses from ordinary activities** | | 178,887 | 165,553 |
| **(b) Borrowing costs expense** | | | |
| Interest & other borrowing expenses - other persons/bodies corporate | | 11,330 | 6,840 |
| Finance charges - lease liability | | 1 | 1 |
| Converting preference shares | | - | 243 |
| | 6 | 11,331 | 7,084 |
| **(c) Depreciation and amortisation** | | | |
| Amortisation of non-current assets | | | |
| Plant and equipment under lease | | 5 | 6 |
| Depreciation of non-current assets | | | |
| Buildings | | 52 | 48 |
| Plant and equipment | | 601 | 643 |
| Display home centres | | - | 10 |
| | | 653 | 701 |
| Net (profit)/loss on disposal of property, plant & equipment | | - | 11 |
| Total (profit)/loss on sale of non-current assets | | - | 11 |
| **(d) Other expenses** | | | |
| Bad & doubtful debts | | (35) | - |
| Operating lease rental | | 330 | 336 |
| **4. DIVIDENDS PAID OR PROVIDED FOR DURING THE YEAR** | | | |
| **Ordinary Shares:** | | | |
| Dividends paid | | | |
| - 2004 final (fully franked) (4c per share) (June 2003: 4c) | | 4,648 | 4,140 |
| Dividends proposed but not recognised as a liability | | | |
| - 2005 interim (fully franked) (4c per share) (Dec 2003: 4c) | | 4,960 | 4,140 |

| | Notes | CONSOLIDATED Dec-04 $'000 | Dec-03 $'000 |
|---|---|---|---|
| **4. DIVIDENDS PAID OR PROVIDED FOR DURING THE YEAR (Continued)** | | | |
| The tax rate at which dividends have or will be franked is 30% (2004: 30%) | | | |
| The amount of franking credits available for the subsequent half-year to 30 June are: | | | |
| * franking account balance as at 31 December | | 10,006 | 14,950 |
| * franking credits that will reverse upon receipt of income tax refund due before the end of the financial year | | (481) | - |
| * franking debits that will arise from the payment of interim dividends as at the end of the financial year | | (2,126) | (1,774) |
| Franking Account Balance as at 30 June (projected 2005, actual 2004) | | 7,399 | 13,176 |

| | Notes | CONSOLIDATED Dec-04 | Dec-03 |
|---|---|---|---|

**5. EARNINGS PER SHARE**

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | Dec-04 | Dec-03 |
|---|---|---|
| Net Profit | 5,764 | 8,025 |
| Dividends paid on convertible preference shares | - | 244 |
| Earnings used in calculating diluted earnings per share | 5,764 | 8,269 |

| | Number of Shares | Number of Shares |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 117,222,446 | 107,718,301 |
| **Effect of dilutive securities:** | | |
| Share options | 3,425,000 | - |
| Convertible preference shares | - | 8,489,949 |
| Adjusted weighted average number of ordinary shares used in calculating dilutive earnings per share | 120,647,446 | 116,208,250 |

During the period, the company offered to existing shareholders the option to subscribe to the company's Share Purchase Plan (SPP). In accordance with ASIC requirements, applications under the SPP were limited to a maximum subscription of $5,000 per shareholder. The shares were issued at a 10% discount to the weighted average price of shares traded in the 5 days up to and including 22 October 2004. The resultant issue price was 64 cents per share. As a result of the SPP, a further 7,775,502 ordinary shares were issued, bringing the total number of ordinary shares on issue to 123,983,752.

**Conversions, calls, subscriptions or issues since 31 December 2004**

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**
**HALF YEAR ENDED 31 DECEMBER 2004**

**6. SEGMENT INFORMATION**

| | HOUSING & LAND | | PROPERTY DEVELOPMENT | | FINANCE | | CORPORATE/OTHER | | ELIMINATIONS | | CONSOLIDATED | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-04 $'000 | Dec-03 $'000 | Dec-04 $'000 | Dec-03 $'000 | Dec-04 $'000 | Dec-03 $'000 | Dec-04 $'000 | Dec-03 $'000 | Dec-04 $'000 | Dec-03 $'000 | Dec-04 $'000 | Dec-03 $'000 |
| **Business Segments:** | | | | | | | | | | | | |
| Sales to customers outside the consolidated entity | 104,596 | 118,254 | 92,006 | 60,680 | 1,523 | 4,711 | - | - | - | - | 198,125 | 183,645 |
| Other Revenues from customers outside the consolidated entity | 45 | 52 | - | - | 4 | 15 | 365 | 221 | - | - | 414 | 288 |
| Intersegment revenues | - | - | - | - | 96 | 122 | - | - | (96) | (122) | - | - |
| Total segment revenue | 104,641 | 118,306 | 92,006 | 60,680 | 1,623 | 4,848 | 365 | 221 | (96) | (122) | | |
| Unallocated Revenue | | | | | | | | | | | - | - |
| Total consolidated revenue | | | | | | | | | | | 198,539 | 183,933 |
| **Results** | | | | | | | | | | | | |
| Segment Result | 4,633 | 7,768 | 5,942 | 3,413 | (1,961) | 589 | (293) | (474) | - | - | 8,321 | 11,296 |
| Unallocated expenses | | | | | | | | | | | - | - |
| Consolidated entity profit from ordinary activities before income tax expense | | | | | | | | | | | 8,321 | 11,296 |
| Income tax expense | | | | | | | | | | | (2,557) | (3,271) |
| Net Profit | | | | | | | | | | | 5,764 | 8,025 |

As management is able to identify funds used by each segment, the interest associated with the use of those funds is allocated to the respective segment. The total amout of borrowing costs allocated to segments is as follows:
Housing $587,161 (Dec 2003: $459,217); Property Development $10,178,292 (Dec 2003: $6,277,110); Finance $Nil (Dec 2003: $Nil); and Corporate/Other $564,500 (Dec 2003: $347,414).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**
**HALF YEAR ENDED 31 DECEMBER 2004**

**6. SEGMENT INFORMATION (Continued)**

| | HOUSING & LAND | | PROPERTY DEVELOPMENT | | FINANCE | | CORPORATE/OTHER | | ELIMINATIONS | | CONSOLIDATED | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-04 | Dec-03 | Dec-04 | Dec-03 | Dec-04 | Dec-03 | Dec-04 | Dec-03 | Dec-04 | Dec-03 | Dec-04 | Dec-03 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | | | | | | | |
| Segment assets | 100,839 | 94,028 | 334,400 | 136,595 | 3,199 | 2,133 | 18,663 | 20,609 | (49,552) | (19,921) | 407,549 | 233,444 |
| Unallocated assets | | | | | | | | | | | 6,216 | 6,855 |
| Total assets | | | | | | | | | | | 413,765 | 240,299 |
| **Liabilities** | | | | | | | | | | | | |
| Segment liabilities | 42,612 | 24,493 | 274,524 | 94,517 | 848 | 811 | 42,535 | 46,511 | (41,230) | (11,599) | 319,289 | 154,733 |
| Unallocated liabilities | | | | | | | | | | | 6,216 | 6,855 |
| Total liabilities | | | | | | | | | | | 325,505 | 161,588 |
| **Other segment information:** | | | | | | | | | | | | |
| Acquisition of non-current assets | 324 | 584 | 5 | 7 | 21 | 54 | 39 | 158 | - | - | 389 | 803 |
| Depreciation | 236 | 245 | 27 | 15 | 85 | 106 | 305 | 335 | - | - | 653 | 701 |
| Amortisation | - | - | - | - | - | - | 5 | 6 | - | - | 5 | 6 |

**Geographical Segments:**

The economic entity operates in Queensland, Victoria and South Australia.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued**
**HALF YEAR ENDED 31 DECEMBER 2004**

## 7. CONTINGENT LIABILITIES

The parent entity and controlled entities have entered into local authority and other performance guarantees of $3,491,953 at 31 December 2004 (June 2004: $6,410,735) relating to individual land developments and other aspects of the company's operations. The guarantees are secured by charges over the assets of the respective entities. No liabilities are expected to arise.

In addition, performance guarantees totalling $18,200,000 at 31 December 2004 (June 2004: $18,200,000) associated with the company's "Victoria Point Docklands" Project, have been issued. The guarantees are secured by charges over the assets of the relevant entities. Of this amount, $3,400,000 (June 2004: $3,400,000) is payable as a future cost of the project. No liabilities are expected to arise in respect to the balance amount.

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

The company has deposited $3,900,544 (June 2004: $3,972,574) into bank accounts subject to charges by agreement with the financial institutions which provide funding for mortgages under the "Builder Pays Deposit" promotion. A further $3,614,888 (June 2004: $2,656,788) is invested in Trust structures associated with the company's loan origination and securitisation business, First Permanent Financial Services Pty Ltd. In addition a performance guarantee totalling $1,500,000 (June 2004: $1,500,000) has been issued to one of the lending institutions. These funds are only available to meet costs associated with a loss on resale occuring as a result of buyer default on mortgages and repossessions. The consolidated entity's liability is limited to between 2% and 7%, of the original loan amount of the defaulting purchaser in each individual case and the amounts held in the bank accounts and performance guarantee in total. That is, the consolidated entity could not be liable for more than $9,056,248 as at 31 December 2004 (June 2004: $8,129,362). As at the 31 December 2004 a provision of $713,491 (June 2004: $921,591) has been raised on the basis of expected future costs.

The company has secured a new interim funding facility for the provision of mortgage loans to its Housing customers by its subsidiary First Permanent Financial Services Pty Ltd. A contingent liability exists to the extent of $1,500,000 (June 2004: $4,000,000) in relation to Devine Limited undertaking to meet the future working capital requirements of First Permanent Financial Services Pty Ltd.

## 8. LAND ACQUISITION COMMITMENTS

As at 31 December 2004 the group had entered into land marketing agreements to acquire developers' land amounting to $40,368,500 (June 2004: $57,433,000). Of this amount, $9,090,200 related to land that had been sold but was not yet at unconditional contract status (June 2004: $14,125,000). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

## 9. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARD!

Devine Limited has commenced the transition of its accounting policies and financial reporting from current Australian standards to the Australian equivalents of International Financial Reporting Standards (IFRS).

As at 31 December 2004, the IFRS Steering Committee has developed an internal report which has identified key areas of concern in relation to IFRS impacts. These areas of concern are as follows:

**Securitised Mortgage Loans (High)** - mortgage loans originated on behalf of Devine's customers by the company's subsidiary, First Permanent Home Loans, and subsequently securitised into the market place may have to be recognised as both an asset and corresponding liability in the consolidated entity's balance sheet. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

**Revenue Recognition (High)** - Revenue recognition in relation to the company's large CBD property developments may change under IFRS as UIG 53 which deals with revenue recognition in relation to large property developments and which became operative in March 2003, has been repealed. No replacement standard has been issued at this time. Until further guidance is provided by the Australian Accounting Standards Board, the company cannot reliably estimate the future financial effect of any potential change in accounting policy.

**Capitalised Costs (Medium)** - Capitalised costs associated with the company's CBD property developments which are currently not expensed until recognition of revenue occurs, may, under IFRS, be required to be expensed in the period in which they are incurred. Reliable estimates of the future financial effect of this change in accounting policy has not yet been measured.

**Deferred Income Tax (Medium)** - Income tax will be calculated on the "balance sheet" approach, which could result in additional deferred tax assets and liabilities and, as tax effects follow the underlying transactions, some tax effects will be recognised in equity. Reliable estimates of the future financial effect of this change in accounting policy have not yet been measured.

## 9. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued

**Investment in Controlled Entities (Medium)** - Investments in controlled entities are carried at directors' valuations. A review of the carrying values as governed by AASB 128 and AASB 139 will need to be undertaken.

**Equity Based Remuneration (Medium)** - Equity based remuneration in the form of shares and options will be recognised as expenses in the statement of financial performance in the periods during which they are made. The standard applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimates of the future financial effects of this change in accounting policy is impractical as they are dependant on the company's share price and its volatility.

**Intangible Assets (Low)** - Goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised. This could potentially affect the carrying value of the company's Brand Name. Reliable estimates of the future financial effects of this change in accounting policy cannot be quantified because the conditions under which impairment will be assessed are not yet known.

**Restating Comparatives (Low)** - The first restatement of comparatives will occur in the financial year ended 30 June 2006. The comparative period will be the year ended 30 June 2005 and the opening statement of financial position at 1 July 2004 will be restated to ensure IFRS compliance. The financial impact of adopting IFRS will be disclosed in the 30 June 2005 financial report. The first fully IFRS compliant financial report will be prepared for the half-year ended 31 December 2005.

## 10. EVENTS SUBSEQUENT TO BALANCE DATE

The interim dividend of 4 cents per ordinary share has been declared post 31 December 2004 and, therefore, in accordance with the adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", no provision has been recognised in the Statement of Financial Position as at 31 December 2004.

**DIRECTORS' DECLARATION**

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

(1) In the opinion of the directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

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

(2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

On behalf of the Board

K P Prior
Chairman

D H T Devine
Managing Director

Brisbane, 23 February 2005.

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**Independent review report to members of Devine Limited**

**Scope**

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Devine Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the six month period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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. The Auditors' independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. In addition to our review of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Devine Limited and the entities it controlled during the period is not in accordance with:

(a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the six months ended on that date; and

   (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

M J Hayward

M J Hayward
Partner
Brisbane

24 February 2005