Devine LIMITED
A.C.N. 010 769 365

Directors' Comments

Half-Year Ended 31 December 2005

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22 February 2006

The Directors of Devine Limited announce an after tax profit of $10.695M for the half-year ended 31 December 2005. This is the first result for the company reported under the new Australian Equivalents to International Financial Reporting Standards (AIFRS) and is consistent with the profit guidance released to the market on 2 February 2006.

The $10.695M result for the half-year compares to a restated (under AIFRS) result of a profit of $2.465M for the December 2004 half-year. This has resulted in Basic EPS of 8.4 cents for the six months (2004 2.1 cents per share).

Directors have declared a fully franked **interim dividend of 4.0 cents per share** (last year 4.0 cents).

AIFRS

As required under the Corporations Law and having a full year balance date of 30 June each year, Devine Limited transitioned to AIFRS effective from 1 July 2005. These new accounting standards replaced the previous Australian Accounting Standards (AGAAP).

As indicated in the company's 2005 Annual Report and highlighted in the Chairman's address to Shareholders at Devine's November 2005 AGM, the transition to these new accounting standards has had a material impact on the way that revenue, profits and shareholders funds are reported for Property Development Companies and, accordingly, on Devine Limited's results. The details of these changes and their financial impact are set out in the notes in the accompanying Appendix 4D.

As highlighted in the accompanying Appendix 4D, the changes to accounting standards and particularly the repeal of UIG 53 (which required revenue and profits on large property development projects to be reported on a percentage complete basis) has resulted in significant negative adjustments to retained earnings and shareholders funds. Under AIFRS, revenue and profits on these large projects are now recognised when construction is complete and settlement of each unit occurs.

With the above comments in mind, the basic net tangible asset backing per share as at 31 December 2005 was 43.3 cents and compared to 45.6 cents (restated) as at December 2004. As the negative adjustments to retained earnings referred to above are reversed in future periods, (that is revenue and profits recognised as settlements occur) the company's net assets and net asset backing per share will be restored.

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

$000's	**Half - Year Ended**	
	Dec. 2005	**Dec. 2004**
Revenue	253,816	115,207
Operating Profit Before Tax	15,441	3,794
Net Profit After Tax Attributable to Shareholders	10,695	2,465
EPS Basic	8.4 cents	2.1 cents
EPS Diluted	8.2 cents	2.0 cents
NTA Basic	43.3 cents	45.6 cents
NTA Diluted	42.4 cents	44.4 cents
Interim Dividend – Ordinary Shares (Fully Franked)	4.0 cents	4.0 cents

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Housing Division

The Housing market remained subdued over the six months to December but signs are emerging that first homebuyers are re-entering the market. Enquiry levels from the company's post Christmas campaigns were encouraging but affordability remains the key hurdle for aspiring homeowners. Adding to the increased demand is the lower rental vacancy rates that are currently being experienced, particularly in southeast Queensland, making it more difficult for people to find rental accommodation.

The company has continued with its strategy of acquiring land in all of the major markets in which it operates but, given the lead times involved in land development, the benefits of this strategy will take some time to flow to the bottom line. Land prices appear to have peaked in most markets but competition for key sites remains strong.

As noted above, the tighter conditions prevailing in the Housing market during the period together with the impact of the transition to AIFRS has resulted in a lower profit contribution from this Division for the half-year. AIFRS requires that revenue and profits be recognised when settlement of land sales occurs whereas previously, under AGAAP, revenue and profits were recognised when the land development was completed and an unconditional contract was to hand.

Tighter market conditions and delays in the timing of land settlements have resulted in a profit before tax of $4.014M being reported for the December 05 half-year compared to $9.462M as re-stated under AIFRS for the corresponding period last year. Forecast land and housing contract settlements in the June 06 half-year will make a material positive contribution to this Division's results for this period with the second half profits expected to be well up on the December 05 half.

Property Development Division

At June 2005, Devine had four large projects under construction. As noted above, the change required under AIFRS to reporting revenue and profits on completion and settlement of unit developments has had a major impact on the timing of the results reported for this Division.

The company's Brisbane CBD project, **"Casino Towers"**, was completed and all 214 units settled in the December 05 half year. In addition, the nine-level Commercial Building, Retail Space and Serviced Apartment component of the **"Victoria Point Docklands"** project in Melbourne were completed and largely settled in the December 05 half.

These two projects contributed a before tax result of $16.010M for the six months and compared to a re-stated AIFRS result for the corresponding period in 2004 of a loss of $3.488M when no settlements occurred for this Division.

The $338M **"Victoria Point Docklands"** project continues to progress ahead of schedule with the staged completion of the remaining Residential Tower component scheduled to occur by early April 2006. The first stage of the residential tower up to level 35 has now been completed and settlements commenced on 17th February. The remaining 7 levels up to level 42 are almost complete and settlements of sold units will occur progressively over the next three months.

Completion of the 401 unit, $162M **"Festival Towers"** project is now forecast to occur in early September 2006. Sales have continued to be made on the project with 393 (98%) of the 401 units sold and 389 (97%) of the total units in the project at unconditional contract and 10% deposit paid status. Contractual arrangements with the external builder mean that any delays in completion should not impact adversely on the project's margins.

Construction commenced in June 2005 on the company's latest residential development in the Brisbane CBD, **"Charlotte Towers"** and is progressing ahead of schedule**.** 402 (97%) of the 416 units are now sold and 395 (95%) of the total 416 units are at unconditional contract and 10% deposit paid status. Completion of construction and the subsequent settlement of units in this project are both forecast to occur in the September 07 quarter.

Positive progress continues to be made in relation to securing a satisfactory development approval on a prime residential development site at **Currumbin** on the Gold Coast. This conditional $27M acquisition is subject to Devine securing a satisfactory development approval from the Gold Coast City Council. The council is scheduled to formally consider the development application at a council meeting in early March 2006 and follows extensive design work and close consultation with the council and the company's Town Planners.

Devine Constructions

Devine is undertaking the construction of the Charlotte Towers project in its own right through its in-house Construction Division, Devine Constructions. A highly experienced and proven team was assembled in-house at the beginning of 2005 to manage the construction process. From a risk management perspective, it is important to note that 99.6% of the construction costs are locked in with suppliers and sub-contractors.

Given the environment that currently exists in the construction tender market, it is expected that having this in-house capability will give Devine a competitive advantage when considering new development opportunities in the foreseeable future.

Finance Division

The results for this Division are very much dependent on the number of loans that are processed on behalf of Devine's customers. The weaker housing market, as noted above, has contributed to a loss of $2.160M before tax being reported for the December 05 half (corresponding period last year, a loss of $1.887M). It should also be noted that under AIFRS, the loans that have been written and are managed under trust structures are now required to be brought onto Devine's balance sheet.

Directors continue to closely monitor the performance of this Division and are currently investigating a number of alternative strategies that could be pursued.

Funds Management Division

As advised at the company's AGM in November 2005, Devine has progressed the establishment of a new Funds Management Division. A Responsible Entity has been established and a senior manager appointed to head up this business. A key objective of this new initiative is to facilitate Devine's strategy of controlling additional land holdings for its housing business and to achieve this with additional equity raised through this vehicle.

Future Outlook

With interest rates remaining on hold, a sound economy and affordability forecast to improve over the coming year, forecasters are projecting a lift in first homebuyer market activity over the next twelve months. Devine is well placed to participate in this forecast increased activity level but the achievement of land development completion targets and the timing of subsequent settlements will influence the June 06 half-years results.

With rental vacancy rates forecast to remain low in the Brisbane CBD residential market, the company is investigating a number of potential new development sites. Announcements will be made in relation to these at the appropriate time should negotiations prove successful.

Devine heads up a consortium that includes two other parties and which has submitted an expression of interest in relation to the Queensland Government's proposed cruise ship terminal and associated marina and residential development on the Gold Coast. The government has indicated that it will consider the applications over the next few months.

With the completion of the final stages of the Victoria Point Docklands Development now only two months away, under AIFRS, the timing of the settlement of the sold units will have a positive bearing on the revenue and profits that will be recognised on this project in the June 06 half-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 2005**	**31 December 2004**

Results for announcement to the market

				$A'000
Revenues from operating activities	up	**120.3%**	to	**253,816**
Profit (loss) from ordinary activities after tax attributable to members	up	**333.9%**	to	**10,695**
Net profit (loss) for the period attributable to members	up	**333.9%**	to	**10,695**

Dividends	Amount per security	Franked amount per security
Final dividend - 2004/05 year, paid November 05	**4¢**	**4¢**
Interim dividend	**4¢**	**4¢**

Record date for determining entitlements to the dividend. **11 April 2006**

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 2005 and, therefore, in accordance with the adoption of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, **no provision has been recognised in the Balance Sheet as at 31 December 2005.**

Income Statement, Balance Sheet, Statement of Cash Flows and Notes.

Refer Attached

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	**5 May 2006**
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)	**11 April 2006**
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	**11 April 2006**

Statement of Retained Earnings

	Current period - $A'000	Previous corresponding period - $A'000
Retained profits (accumulated losses) at the beginning of the financial period	**9,882**	**22,232**
Net profit (loss) attributable to members	**10,695**	**2,465**
Dividends and other equity distributions paid or payable	**(5,035)**	**(4,648)**
Retained profits (accumulated losses) at end of financial period	**15,542**	**20,049**

Net tangible assets (NTA)

	Current period	Previous corresponding period
Basic NTA	**43.3 ¢**	**45.6 ¢**
Diluted NTA	**42.4 ¢**	**44.4 ¢**

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	**8.4 ¢**	**2.1 ¢**
Diluted EPS	**8.2 ¢**	**2.0 ¢**

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 . This is Devine Limited's first financial reporting period to be prepared in accordance with the Australian Equivalents to International Financial Reporting Standards ("AIFRS"). AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing the financial results.

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

Sign here: .... Date: **22 February 2006**
(Company Secretary)

Print name: **Vivian N Grayson**

DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2005.

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.

D J Ridley, (Chairman)

D H T Devine, (Managing Director)

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

R W Parris, FAICD

K M Woodley, (Marketing Director)

D C Somerville, B.Com, FCA, FCPA*

Hon.T M Mackenroth*

* Joined the Board of Devine Limited on 28th September 2005.

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 2005	Dec-05 $'000	Dec-04 $'000
Net profit (loss) after tax attributable to members of Devine Limited	10,695	2,465
Net Tangible Assets		
Basic net tangible assets per share	43.3 cents	45.6 cents
Diluted net tangible assets per share	42.4 cents	44.4 cents
Earnings per share		
Basic earnings per share	8.4 cents	2.1 cents
Diluted earnings per share	8.2 cents	2.0 cents

AUDITORS' INDEPENDENCE DECLARATION

Included on page 25 of this report is a copy of the Independence Declaration received from the Company's auditors, Ernst & Young.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000 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.

D J Ridley
Chairman

D H T Devine
Managing Director

Brisbane, 22 February 2006

CONDENSED INCOME STATEMENT
HALF YEAR ENDED 31 DECEMBER 2005

	Notes	CONSOLIDATED	
		Dec-05 $'000	Dec-04 $'000
Revenues from operating activities *	2	253,816	115,207
Income	2	158	620
Expenses from ordinary activities, excluding finance costs *	3(a)	213,276	106,674
Finance costs *	3(b)	25,257	5,359
Profit (loss) from ordinary activities before income tax expense *		15,441	3,794
Income tax expense relating to ordinary activities		4,746	1,329
Net profit (loss) attributable to members of Devine Limited		10,695	2,465
Basic earnings per share (cents per share)*	5	8.4	2.1
Diluted earnings per share (cents per share)*	5	8.2	2.0
Interim Franked dividends per share (cents per share)	4	4.0	4.0

* The timing of recognition of revenue, expenses and borrowing costs as required under AIFRS is dependent on the timing of completion and settlement of the large property development projects and land development activities (refer to "Summary of Significant Accounting Policies" in Note 1). Previously under AGAAP (UIG Abstract 53), revenue and related costs were recognised on a percentage complete basis on the Consolidated entity's large property development projects and unconditional contract in respect to the Consolidated entity's land development activities.

CONDENSED BALANCE SHEET
AT 31 DECEMBER 2005

	Notes	CONSOLIDATED Dec-05 $'000	Jun-05 $'000 *
CURRENT ASSETS			
Cash assets	**	8,513	-
Receivables		10,694	13,870
Inventories		372,981	379,856
Other assets		8,110	7,463
TOTAL CURRENT ASSETS		**400,298**	**401,189**
NON-CURRENT ASSETS			
Inventories		58,640	82,225
Mortgage loans		215,571	165,472
Property, plant & equipment		4,124	4,558
Intangible assets		3,316	3,316
Other assets		2,516	2,811
TOTAL NON-CURRENT ASSETS		**284,167**	**258,382**
TOTAL ASSETS		**684,465**	**659,571**
CURRENT LIABILITIES			
Payables		42,593	65,837
Current tax liabilities		-	-
Interest bearing liabilities	**	323,558	303,787
Provisions		3,394	3,515
TOTAL CURRENT LIABILITIES		**369,545**	**373,139**
NON-CURRENT LIABILITIES			
Interest bearing liabilities		31,079	65,600
Mortgage loans		215,037	167,707
Deferred tax liabilities		6,946	2,200
Provisions		412	312
TOTAL NON-CURRENT LIABILITIES		**253,474**	**235,819**
TOTAL LIABILITIES		**623,019**	**608,958**
NET ASSETS		**61,446**	**50,613**
SHAREHOLDERS' EQUITY			
Contributed equity		45,904	40,731
Retained profits		15,542	9,882
TOTAL SHAREHOLDERS' EQUITY		**61,446**	**50,613**

* Note that as the Consolidated entity transitioned to AIFRS effective 1 July 2005, comparatives in relation to the Balance Sheet have been re-stated and made under AIFRS at June 2005.

** Included in the balances shown as cash assets is an amount of $ 7,954,993 as at December 2005 and interest bearing liabilities of $5,625,720 as at June 2005. These balances are not available to the Group to meet working capital requirements, but rather is quarantined to meet future interest payment obligations of the company's First Permanent mortgage trust liabilities.

CONDENSED STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2005

	Notes	CONSOLIDATED	
		Dec-05 $'000	Dec-04 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and associated parties		241,747	215,497
Payments to suppliers and employees	(a)	(221,800)	(289,231)
Interest received	(b)	7,822	4,745
Borrowing costs paid	(b)	(20,249)	(29,451)
Income tax (paid)/received		-	(6)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**7,520**	**(98,446)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(99)	(389)
Proceeds from sale of property, plant and equipment		-	1
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(99)**	**(388)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings - other	(a)	111,099	111,408
Repayment of borrowings - other		(109,527)	(7,160)
Finance lease principal repayments		-	(6)
Dividends paid	4	(4,083)	(4,648)
Proceeds from issue of shares		4,221	4,977
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**1,710**	**104,571**
NET INCREASE/(DECREASE) IN CASH HELD		**9,131**	**5,737**
Add opening cash brought forward		(618)	2,006
CLOSING CASH CARRIED FORWARD	(c)	**8,513**	**7,743**

(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".

(b) - Included in interest received and borrowing costs paid are amounts received in relation to the company's First Permanent mortgage loan trust assets and paid in relation to the offsetting mortgage trust liabilities. This is consequent upon the recognition, under AIRFS, of those trust assets and liabilities on the consolidated entity's balance sheet.

(c) - Refer to note on page 6 relating to cash assets.

CONDENSED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	TOTAL $'000
At 1 July 2004	34,802	22,232	57,034
Profit for the period	-	2,465	2,465
	34,802	24,697	59,499
Equity dividends *	-	(4,648)	(4,648)
Issue of shares	4,977	-	4,977
At 31 December 2004	**39,779**	**20,049**	**59,828**

CONSOLIDATED	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	TOTAL $'000
At 1 January 2005	39,779	20,049	59,828
Loss for the period	-	(5,198)	(5,198)
	39,779	14,851	54,630
Exercise of options	130	-	130
Equity dividends *	-	(4,969)	(4,969)
Issue of shares	822	-	822
	-	-	-
At 30 June 2005	**40,731**	**9,882**	**50,613**

CONSOLIDATED	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	TOTAL $'000
At 1 July 2005	40,731	9,882	50,613
Profit for the period	-	10,695	10,695
	40,731	20,577	61,308
Exercise of options	81	-	81
Equity dividends	-	(5,035)	(5,035)
Issue of shares	5,092	-	5,092
At 31 December 2005	**45,904**	**15,542**	**61,446**

* It should be noted that the dividends paid in the half-years ending 31 December 2004 and 30 June 2005 were declared and paid on profits reported under AGAAP and not the profits as restated under AIFRS as shown above.

1. Basis of 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 2005, which was prepared based on Australian Accounting Standards applicable before 1 July 2005 ('AGAAP').

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 2005, and subsequent to this date, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:
AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005, AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005, to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e).

(c) Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of Devine Limited (the parent entity) and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The consolidated financial statements include those of First Permanent Financial Services Pty Ltd and all entities controlled by it, including Special Purpose Vehicles relating to the securitisation of certain trust assets. Where controlled entities have been acquired during the year, their operating results have been included from the point of acquisition.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Devine Limited has control.

Revenue recognition

Revenue is recognised to the extent that it is probable that the ecomonic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Property Revenue:

Revenue on sale of land is recognised on settlement.

Construction contracts:

Housing contracts - Profit on construction contracts is brought to account on the percentage of completion basis where it can be reliably estimated. In respect of individual housing contracts, the entity has determined percentage complete based on actual costs incurred as a percentage of total forecast costs. Where losses are foreseeable, such losses are provided for in full. Profit on construction contracts under a single house and land contract is brought to account on settlement.

Multi-unit construction contracts - Profit on multi-unit construction contracts is brought to account on completion of the project and settlement of the individual units.

Finance Revenue:

From 1 July 2004 to 30 June 2005 - Interest income, interest expense and fee income is brought to account on an accrual basis in the Income Statement.

Adjustment on transition date: 1 July 2005 - The nature of the main adjustments to comply with AASB 132 and AASB 139 is the Trust's yield related fee income. At the date of transition, the adjustment to retained earnings has been deemed immaterial and as such no adjustment has been recorded.

From 1 July 2005 - Interest income, interest expense and yield related loan fee income is brought to account on an effective interest method in the Income Statement. The yield related fee income is initially recognised in the Balance Sheet and is reported in the Income Statement on a yield adjusted basis over the expected term of the loan.

Cash and cash equivalents

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

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

Receivables

Trade receivables

The Group has elected to apply for the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006 - Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off as incurred.

Accounting policies applicable for the year ended 30 June 2005 - Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Note 1 (Continued)

Related party receivables
Receivables from related parties are recognised and carried at the nominal amount due.

Loan Provisioning
All loans are held in securitisation vehicles, credit support is provided to this vehicle through a support facility (a discretionary fund). Each borrower contributes to this support facility on funding of the loan. Where losses are incurred in relation to a loan, funds are available from the support facility. As the support facility is used to meet any anticipated shortfalls between the loan balance outstanding and the value of the security, no provision is made by the Group in relation to arrears or doubtful debts arising from non payment of loans.

Inventories

Development work in progress:

Development land is carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, and for development land also includes development and holding costs such as rates, taxes and interest incurred until the point of time that the property is ready for sale.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Construction work in progress:

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

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. For the purpose of impairment testing, where there is no quoted market price, subsequent changes in fair value are determined by calculating the expected cash flows of the underlying net asset base of the investment.

Leases

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

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

Any lease incentive liability in relation to non-cancellable operating leases are amortised on a straight-line basis over the lease term.

Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006 - Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounting policies applicable for the year ending 30 June 2005 - Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and serices received, whether or not billed to the consolidated entity.

Note 1 (Continued)

Property, plant and equipment

Cost:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment in value.

Depreciation:

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

Major depreciation periods for the following asset classes are:

Plant and equipment	2 to 10 years

Impairment:

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Provisions

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

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

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

Employee benefit expenses and revenue arising in respect of the following categories are recognised against profits on a net basis in their respective categories.

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

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

Share-based payment transactions

The Group provides benefits to employees (excluding non-executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

There is currently one plan in place to provide these benefits.

The Employee Share Option Plan (ESOP), provides benefits to executive directors, senior executives, and certain members of staff in accordance with guidelines established by the directors of Devine Limited.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the options (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for incentives that do not ultimately vest, except for options where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences,

* except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

* in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

* except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

* in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

Intangible assets - brand name

Acquired from a business combination
Intangible assets acquired separately are capitalised at cost, and from a business combination are capitalised at fair value, as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The directors are of the view that the "Devine" brand has an indefinite useful life and therfore no amortisation expense has been recognised.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

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.

Loans and borrowings

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest-bearing loans and borrowings applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006 - All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. Interest is recognised as an expense except to the extent it forms part of the cost of a qualifying asset as defined in *AASB 123 Borrowing Costs* .

Accounting policies applicable for the year ending 30 June 2005 - All loans were measured at the principal amount. Interest was recognised as an expense as it accrued.

Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

* where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
* receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flow on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Financial instruments

Securitisation of Special Purpose Vehicles (SPVs)
Special purpose vehicles for securitisation are consolidated in the Group's Balance Sheet and Income Statements, as the Group is exposed to the majority of the residual risk associated with these SPV's.

Classification of Financial Instruments (From 1 July 2004 to 30 June 2005)
The Group has applied previous AGAAP in the comparative information on financial assets within the scope of AASB132 and AASB 139. Under AGAAP, measurement of financial instruments is at amortised cost and market value, with certain derivative financial instruments not recognised on Balance Sheet.

Adjustment on transition date: 1 July 2005
The nature of the main adjustments to comply with AASB 132 and AASB 139 are the classification of available for sale financial assets and held to maturity investments. At the date of transition, any change to carrying amounts were recognised directly in retained earnings.
Under AIFRS, all derivative contracts are recorded at fair value in the Balance Sheet.

From 1 July 2005
Financial instruments are classified into five categories, which will in turn determine the accounting treatment of the item. The classifications are:

* Loans and receivables - measured at amortised cost,
* Held to maturity financial assets - measured at amortised cost,
* Held for trading financial assets- measured at fair value with fair value changes charged to net profit and loss,
* Available for sale financial assets - measured at fair value with fair value changes taken to equity, and
* Non-trading liabilities - measured at amortised cost.

All derivatives contracts are recorded at fair value in the Balance Sheet.

Fees to Intermediaries
Payments are made to intermediaries for the introduction and management of loans and deposits. A component of these payments is made up front upon the introduction of the loan and is amortised over the expected life of the asset, or written off at time of discharge if earlier. In line with *AASB 139 Financial Instruments: Recognition and Measurement*, fees to intermediaries have been reclassified in the yield adjustment to net interest income and the balance has been reclassified from other assets to net loans and advances effective 1 July 2005.

Note 1 (Continued)

Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

* costs of servicing equity (other than dividends) and preference share dividends;
* the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
* the non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Contributed equity

Issued and paid-up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparatives

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

(d) AASB 1-Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

Business combinations

AASB 3 *Business Combinations* was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions

AASB 2 *Share-Based Payments* is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 *Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* to its comparative information.

(e) Impact of adopting international financial reporting standards

The impact of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 July 2005 ('AGAAP') is illustrated below.

Reconciliation of equity as presented under AGAAP to that under AIFRS

		CONSOLIDATED		
		30-Jun 2005 $'000	31-Dec 2004 $'000	1-Jul 2004 $'000
Total equity under AGAAP		94,604	88,260	82,167
Opening equity changes required to comply with AIFRS:				
Profit Recognition - Major Projects	(i)	(42,922)	(29,254)	(21,136)
Pre-commitment and Other Expenses	(ii)	(8,559)	(8,224)	(7,309)
Revenue Recognition - Housing Operations	(iii)	(99)	(115)	(552)
Revenue Recognition - Land Development	(iv)	(11,138)	(2,701)	(6,843)
Investments in Controlled Entities	(v)	-	(73)	-
Tax Effect of AIFRS Adjustments	(vi)	18,727	11,935	10,707
Total equity under AIFRS		50,613	59,828	57,034

There was no material impact from adopting AASB 132 and AASB 139 at 01/07/05.

(i) Profit Recognition - Major Projects:
Profits declared under AGAAP in relation to major projects including Casino Towers, Festival Towers, Charlotte Towers and Victoria Point Docklands, have been reversed for prior years (including 2005) as a result of changes to the way revenue, marketing costs, and borrowing costs are recognised under AIFRS. As a result of the completion and settlement of Casino Towers and a portion of Victoria Point Docklands during the December 2005 half year, profits reversed on this project, (and included in the adjustments above), have been recognised in the December 2005 half year accounts.

(a) Treatment of Revenue: Under AGAAP / UIG Abstract 53, revenue on major projects was recognised based on the percentage of completion over the construction period. Under AIFRS, revenue and cost of sales can only be recognised upon completion and settlement of the individual units.

(b) Treatment of Marketing Costs: Under AGAAP**,** advertising and promotional costs associated with the large property development projects were not expensed until recognition of revenue occurred.Under AIFRS, they are required to be expensed in the period in which they are incurred.

(c) Treatment of Borrowing Costs: Under AGAAP, borrowing costs (including interest) associated with the Consolidated entity's large property development projects were expensed when revenue was recognised on a percentage complete basis. Under AIFRS, they are capitalised up to the time that development works have been substantially completed.

(ii) Pre-commitment Costs: Costs incurred investigating the feasibility of proposed projects were, under AGAAP, previously capitalised and recognised as part of the cost of sales based on the percentage of completion method. In accordance with AIFRS these costs are expensed when incurred and only capitalised from the point at which a project receives both board approval and development approval.

(iii) Revenue Recognition - Housing Operations: Under AGAAP, revenue from housing operations under a single house and land contract for the construction of the house was brought to account on a percentage complete basis. Under AIFRS, the revenue for both the house and the land is brought to account on settlement of the contract.

(iv) Revenue Recognition - Land Development: Under AGAAP, revenue from land sales was recognised when an unconditional sales contract had been secured and the land development plan sealed by the relevant local authority. Under AIFRS, revenue on all land sales is recognised on completion of the development and settlement of the contract of sale.

(v) Investment in controlled Entities - Mortgage Loans - Mortgage loans are originated on behalf of Devine's customers by the company's subsidiary, First Permanent Home Loans. These loans are held in trust arrangements and are now required to be recognised as both an asset and corresponding liability in the consolidated entity's balance sheet. There has been only a minimal impact on retained earnings.

(vi) The tax effect of the adjustments above (note *(i)* to *(v)*) led to an increase in deferred tax liability. The total change in deferred tax liability is as follows:

	CONSOLIDATED		
	30-Jun 2005 $'000	31-Dec 2004 $'000	1-Jul-04 2004 $'000
Tax effects of the above adjustments- note (i) to (v) increase in deferred tax liability	18,663	12,164	10,848

Reconciliation of net profit as presented under AGAAP to that under AIFRS

		CONSOLIDATED	
		Full year to 30-June 2005 $'000	Half year to 31-Dec 2004 $'000
Net profit attributable to members of Devine Limited under AGAAP		16,125	5,764
Changes required to comply with AIFRS:			
Profit Recognition - Major Projects	(i)	(21,786)	(8,118)
Pre-commitment and Other Expenses	(ii)	(1,250)	(915)
Revenue Recognition - Housing Operations	(iii)	453	437
Revenue Recognition - Land Development	(iv)	(4,295)	4,142
Investments in Controlled Entities	(v)	-	(73)
Tax Effect of AIFRS Adjustments	(vi)	8,020	1,228
Net impact of complying with AIFRS		(18,858)	(3,299)
Adjusted Net profit attributable to members of Devine Limited under AIFRS		(2,733)	2,465

There was no material impact from adopting AASB 132 and AASB 139 at 01/07/05.

vii) Explanation of material adjustments to the cash flow statements
The consolidation of the company's First Permanent mortgage loan trusts, has resulted in the following material movements in the statement of cashflow relating to the receipt and payment of interest from the trusts:

* Interest received - $7,541,647 as at December 2005 (2004 $ 4,533,479)
* Interest expense - $5,873,801 as at December 2005 (2004 $3,704,807)

	Notes	CONSOLIDATED Dec-05 $'000	Dec-04 $'000
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenue from operating activities			
Revenue from sale of properties		244,707	109,516
Interest revenue from loan origination & securitisation		8,018	4,767
Other revenue from loan origination & securitisation		1,091	924
Total revenues from operating activities		253,816	115,207
Income			
Interest received - other persons/bodies corporate		149	375
Rent received - other persons/bodies corporate		6	5
Gain on sale of other non-current assets		3	1
Sundry income - other persons/bodies corporate		-	239
Total revenues from outside the operating activities		158	620
Total revenues from ordinary activities		253,974	115,827

	Notes	CONSOLIDATED Dec-05 $'000	Dec-04 $'000
3. EXPENSES & LOSSES			
(a) Expenses			
Cost of properties sold		174,692	79,900
Marketing expenses		19,601	11,601
Land holding expenses		878	493
Occupancy expenses		1,534	1,279
Employee expenses		11,653	9,564
Administration expenses		4,215	3,353
Other expenses from ordinary activities		703	484
Total expenses from ordinary activities		213,276	106,674
(b) Finance costs			
Interest & other borrowing expenses -			
other persons/bodies corporate		25,257	5,358
Finance charges - lease liability		-	1
		25,257	5,359
(c) Depreciation and amortisation			
Amortisation of non-current assets:			
Plant and equipment under lease		-	5
Depreciation of non-current assets:			
Buildings		-	52
Plant and equipment		536	601
Display home centres		-	33
		536	686
Net (profit)/loss on disposal of property, plant & equipment		1	-
Total (profit)/loss on sale of non-current assets		1	-
(d) Other expenses			
Bad & doubtful debts		(168)	(35)
Operating lease rental		294	330

4. DIVIDEND PROPOSED OR PAID

Ordinary Shares:

	Dec-05 $'000	Dec-04 $'000
Dividends paid		
- 2005 final (fully franked) (4c per share) (June 2004: 4c)	5,035	4,648
- Dividend Re-investment plan allocation	(952)	-
Dividends paid in cash	4,083	4,648
Dividends proposed but not recognised as a liability		
- 2006 interim (fully franked) (4c per share) (Dec 2004: 4c)	5,369	4,960

The significant increase in interest and borrowing costs in the December 05 half-year when compared to the previous corresponding period has, in the main, resulted from the recognition of those costs under AIFRS on the settlement of large property development projects. (Previously recognised on the percentage complete basis under AGAAP). During the period the company's "Casino Towers" project settled as did certain stages of the "Victoria Point Docklands" project. There were no property development projects that settled in the December 04 half-year. It should also be noted that under AIFRS, interest costs associated with the First Permanent mortgage loan liabilities are now recognised in the consolidated entity's accounts.

	Notes	CONSOLIDATED Dec-05 $'000	Dec-04 $'000

4. DIVIDEND PROPOSED OR PAID (Continued)

The tax rate at which dividends have or will be franked is 30% (2005: 30%)

The amount of franking credits available for the subsequent half-year to 30 June are:

	Notes	Dec-05 $'000	Dec-04 $'000
* franking account balance as at 31 December		5,712	10,006
* 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		(2,301)	(2,126)
Franking account balance as at 30 June (projected 2006, actual 2005)		3,411	7,399

Due to recent and future settlements of the company's large property development projects, tax payments due during the 2006/07 year will ensure that there will be sufficient franking credits to allow for fully franked dividends to be paid in the foreseeable future.

	Notes	CONSOLIDATED Dec-05	Dec-04

5. EARNINGS PER SHARE

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

	Dec-05	Dec-04
Net Profit	10,695	2,465
Earnings used in calculating diluted earnings per share	10,695	2,465

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	126,838,774	117,222,446
Effect of dilutive securities: Share options	2,975,000	3,425,000
Adjusted weighted average number of ordinary shares used in calculating dilutive earnings per share	129,813,774	120,647,446

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 7.5% discount to the weighted average price of shares traded in the 5 days up to and including 21 October 2005. The resultant issue price was 61 cents per share. As a result of the SPP, a further 6,779,296 ordinary shares were issued. In addition 1,603,553 shares were issued in relation to the company's dividend reinvestment plan (DRP) and 200,000 options were exercised, bringing the total number of ordinary shares on issue to 134,258,649 as at 31 December 2005.

Conversions, calls, subscriptions or issues since 31 December 2005

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.

6. SEGMENT INFORMATION

	HOUSING & LAND		PROPERTY DEVELOPMENT		FINANCE		CORPORATE/OTHER		CONSOLIDATED	
	Dec-05 $'000	Dec-04 $'000	Dec-05 $'000	Dec-04 $'000	Dec-05 $'000	Dec-04 $'000	Dec-05 $'000	Dec-04 $'000	Dec-05 $'000	Dec-04 $'000
Business Segments:										
Sales to customers outside the consolidated entity	98,720	109,516	145,987	-	9,109	5,691	-	-	253,816	115,207
Other revenues from customers outside the consolidated entity	54	255	(15)	-	-	-	119	365	158	620
Total segment revenue	98,774	109,771	145,972	-	9,109	5,691	119	365		
Unallocated revenue									-	-
Total consolidated revenue									253,974	115,827
Results										
Segment result	4,014	9,462	16,010	(3,488)	(2,160)	(1,887)	(2,423)	(293)	15,441	3,794
Unallocated expenses									-	-
Consolidated entity profit from ordinary activities before income tax expense									15,441	3,794
Income tax expense									(4,746)	(1,329)
Net Profit									10,695	2,465

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 $534,417 (Dec 2004: $587,827); Property Development $17,010,188 (Dec 2004: $76,155); Finance $Nil ($ Nil); and Corporate/Other $1,492,934 (Dec 2004: $564,500).

7. CONTINGENT LIABILITIES

The parent entity and controlled entities have entered into local authority and other performance guarantees totalling $4,052,110 at 31 December 2005 (June 2005: $5,375,587) 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 $18,600,000 at 31 December 2005 (June 2005: $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, $4,600,000 (June 2005: $4,200,000) 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 within the group. The controlled entities have also given a similar guarantee in the event that Devine Limited is wound up.

The company has deposited $3,797,553 (June 2005: $3,818,181) 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 $5,051,126 (June 2005: $3,529,456) 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 totaling $1,500,000 (June 2005: $1,500,000) has been issued to one of the lending institutions. These funds are only available to meet costs associated with a loss on resale occurring as a result of buyer default on mortgages and repossessions. The consolidated entity's liability is limited to between 2% and 7%, of the original loan amount of the defaulting purchaser in each individual case and the amounts held in the bank accounts and performance guarantee in total. That is, the consolidated entity could not be liable for more than $9,621,126 as at 31 December 2005 (June 2005: $8,847,637). As at the 31 December 2005 a provision of $1,253,491 (June 2005: $1,129,291) has been raised on the basis of possible expected future costs. This provision has been arrived after reviewing the level of arrears on mortgage loan repayments and assigning a risk weighting to the various arrears categories. That is over 30 days but under 60 days, over 60 days but less than 90 days etc. A further conservative factor has then been applied based on the location of the mortgage loan security.

The company has an 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 2005: $1,500,000) 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 2005 the group had entered into land marketing agreements to acquire developers' land amounting to $34,480,200 (June 2005: $28,054,600). Of this amount, $5,336,600 related to land that had been sold but was not yet at unconditional contract status (June 2005: $6,479,400). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

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:

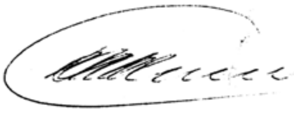
(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

(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

D J Ridley
Chairman



D H T Devine
Managing Director

Brisbane, 22 February 2006.

ERNST & YOUNG

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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 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R Roach
Partner
22 February 2006

ERNST & YOUNG

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Independent review report to members of Devine Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Devine Limited (the company) and the entities it controlled during the half-year, and the directors' declaration for the company, for the half-year ended 31 December 2005.

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 134 *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 134 *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 with the Directors' Report.

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 half-year 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 2005 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

RJ Roach
Partner
Brisbane
22 February 2006