Devine LIMITED
A.C.N. 010 769 365

Directors' Comments

Half-Year Ended 31 December 2006

28 February 2007

The Directors of Devine Limited announce an after tax profit of $6.987M for the half-year ended 31 December 2006. The result was derived from revenue of $241.281M which was marginally down on the corresponding figure for last year and included the settlement of the company's *Festival Towers* apartment development in the Brisbane CBD during the six months.

Whilst the result is 34.7% down on the corresponding period for 2005, it reflects an improvement on the profit guidance provided to the market on 21 December 2006. The improvement can, in the main, be attributed to an uplift in the valuation of certain derivative products held by the company's Finance Division and a change in the estimates of recoverable costs associated with three of the company's future projects.

Directors remain confident Devine will achieve its full year outlook and exceed the $18.9 million net profit recorded in 2005/06. Due to timing issues, the majority of the 2006/07 year's profit will be recorded in the June half. This expectation was stated in the Company's profit guidance provided on 21 December 2006. A major contributor to the June-half profits will be the settlement of apartments within the *Charlotte Towers* project in the Brisbane CBD.

Directors have declared an **interim dividend of 4.0 cents per share fully franked** (last year 4.0 cents) which will be payable on 26 April 2007. This is in line with the guidance issued in December.

A final dividend of 4.0 cents per share is expected to be declared maintaining the full year dividend at 8.0 cents per share fully franked.

Assuming shareholders approve the proposed placement of shares to Leighton Holdings Limited, the injection of $95.6M of new equity into Devine will result in a material improvement in the company's gearing levels.

The outlook for the various market segments in which the Company operates remains positive. Devine's strategy to diversify into commercial, industrial and mixed-use developments is continuing to offset fluctuations within the traditional housing sector. This expansion and diversification program will be continued by the Company.

Devine has a current pipeline of projects which when fully developed and sold will have a combined value exceeding $2 billion.

Devine is conducting due diligence on a number of exciting prospective future projects, that, if successful, and given the long lead times associated with large projects of this type, would make meaningful contributions to the earnings of the Group in 2009/10 and subsequent years.

EPS

Basic EPS for the half-year were 5.1 cents (last year 8.4 cents). On a diluted basis, EPS were 4.9 cents (last year 8.2 cents).

Dividend Reinvestment Plan

Given the pending placement of new shares in Devine to Leighton Holdings Limited, the Directors have decided to suspend the Company's Dividend Reinvestment Plan until further notice.

Results summary

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

$000's	**Half - Year Ended**	
	Dec. 2006	**Dec. 2005**
Revenue	241,281	244,707
Operating Profit Before Tax	10,206	15,441
Net Profit After Tax Attributable to Shareholders	6,987	10,695
EPS Basic	5.1 cents	8.4 cents
EPS Diluted	4.9 cents	8.2 cents
Interim Dividend – Ordinary Shares (Fully Franked)	4.0 cents	4.0 cents

Recent highlights

A number of key initiatives have been taken and material events have occurred over recent months. These include:

Issue of shares to Leighton Holdings Limited

On 1 February 2007, Devine Limited announced it had entered into an agreement with Leighton Holdings Limited to issue to them new shares in Devine Limited which would equate to 40% of the then total shares on issue post the placement. If approved by shareholders at a general meeting to be held in early April 2007, this capital restructuring initiative will inject $95.6M of new equity into Devine.

Details of the proposal together with an independent expert's report and notice of meeting will be dispatched to shareholders in early March 2007.

Sale of finance division

The previously announced sale of the company's Finance business, First Permanent Financial Services Pty Ltd, was completed on 23 February 2007. The sale to Merrill Lynch is subject to various sale price adjustments being finalised during March 07 but is expected to generate a profit before tax in the June 07 half of approximately $3.0M which is in line with the amount included in Devine's previously released profit guidance for the 2006/07 year.

The sale will result in the termination of various contingent liabilities that Devine had in relation to the mortgage loans carried in mortgage trusts associated with First Permanent (refer to the contingent liability note 8). In addition, the transaction will remove from Devine's balance sheet, mortgage loans which totalled $250.7M as at 31 December 2006 and which, under the Australian equivalents to International Financial Reporting Standards (AIFRS), were carried as both an asset and liability on the consolidated group's balance sheet.

Future Projects

On 8 February 2007, the company announced that it had been successful in amalgamating a strategic parcel of land in the Brisbane CBD for a future development. The site, on the corner of Alice and Albert Streets, totals 2,067 square metres and, if the options to purchase are exercised, will represent a purchase price of $22.7M. The aggregation, known as the Carrington site, is earmarked for a six star residential complex with an end value once developed and sold in excess of $400 million.

The acquisition of a 72 hectare site in Townsville was announced to the market on 20 December 2006. This acquisition for $28.0M is expected to yield up to 900 lots when the relevant approvals are received. This will see Devine operating for the first time in this north Queensland growth market.

Following a "call-in" by the Queensland Government in September 2006, the Minister for Local Government, Planning and Sport advised the company in November that its *Hideaway @ Currumbin* project could proceed as planned. Work on this 148 hectare site at Currumbin on the Gold Coast is expected to commence in the second half of 2007. The master planned Hideaway @ Currumbin is expected to have an end value of $500 million.

Housing division

The national housing market remained subdued over the six months to December, but varied significantly by location. This factor has been a key driver of Devine's geographic diversification, highlighted by the company's recent expansion into the north Queensland residential market.

The significant decline in housing affordability that has occurred in most markets in Australia in recent years and that has led to a fall in the overall number of housing commencements over that period is now impacting on accommodation availability and vacancy rates. This fall in supply has led to a severe tightening in vacancy rates in the key markets in which Devine operates and requires governments at both the State and Federal levels to respond to this emerging housing crisis.

As a consequence of this shortage in the supply of housing, some market forecasters are predicting a turnaround in housing activity levels over the next 12 to 18 months. This together with Devine's increased land bank which is on track to exceed the equivalent of 10,000 lots by mid 2010, is projected to contribute to a materially improved result for the company's housing division in the 2007/08 and subsequent years.

Property development division

Devine's ***Festival Towers*** development in the Brisbane CBD was completed in July 2006 with settlements on the 401 residential units commencing in August. All debt associated with the project was repaid in August and currently only 12 units remain to be settled with no unsold units remaining.

Sales continue at an acceptable rate on the Company's ***Victoria Point Docklands*** project in Melbourne with only 8% of the units in the project remaining unsold. If the current sales rate is maintained, all remaining stock should be sold and settled in the second half of CY2007.

The company's other major Brisbane CBD development, ***Charlotte Towers*** is nearing completion with construction 4.5 months ahead of schedule and final costs projected to be well within budget. Settlements on the 416 unit project are expected to commence in April 2007. This is the first major CBD project undertaken by the Company's recently established *Devine Constructions* division and the building performance has set new benchmarks in Brisbane for projects of this size and complexity. Only 4 units remain unsold. The project will have an end value of $170 million. The management rights for Charlotte Towers have been pre-sold to a leading Australasian hotel and resort operator, Oaks Hotels and Resorts Limited, for $7 million.

Achievement of leasing targets as required by the purchaser of Devine's first CBD Office Development, ***333 Ann Street,*** allowed construction to commence on this project in January 2007. This 25-level project is also being constructed by Devine Constructions and completion is forecast to occur in mid 2008. This office building has been pre-sold to the Domaine Property Trust for $119.5 million.

A number of other exciting future development sites are either owned or controlled and work is progressing on these to secure development approval and subsequently commencement to occur. ***Hamilton Harbour,*** adjacent to the new cruise ship terminal at Hamilton, an inner suburb of Brisbane, is one such project with work on this $300M to $400M mixed-use development expected to get underway in early 2008.

Devine Constructions

As mentioned earlier, this division has commenced its second major CBD project, *333 Ann Street*. A business plan for this division has been finalised to ensure that it has the resources and expertise to undertake a number of large projects concurrently for Devine.

Having an in-house construction capability provides Devine with a competitive advantage when considering new development opportunities. There are no plans for this division to tender for third party work.

Finance division

As noted above, the sale of this business was finalised post balance date with completion having occurred on 23 February 2007. As required under Australian Accounting Standards and given its pending sale, this business unit has been treated as a "discontinued operation" in the half-year accounts.

Post the sale to Merrill Lynch, it is intended that an ongoing close association with First Permanent will be maintained with new innovative and competitive mortgage loan products being made available by them to Devine's customers.

Full year outlook

It is an exciting time for the Company and its shareholders.

Devine remains on track to exceed the $18.9M net profit recorded in 2005/06.

The investment in Devine by Leighton Holdings is a vote of confidence in the Company's strategic direction and management and will allow Devine to fast-track its diversification program.

The Company has a team of 265 employees and is currently recruiting nationally to attract additional staff in our offices in Brisbane, Melbourne and Townsville.

The Directors would like to thank shareholders for their ongoing interest and support.

For further information contact:

David Devine
Managing Director
Devine Limited
Ph: (07) 3233 1402

Appendix 4D

Half Year Report report

Name of Entity

Devine Limited

ABN or equivalent company reference	Financial year ended ('current period')	Previous Corresponding period
51 010 769 365	31 December 2006	31 December 2005

Results for announcement to the market **$A'000**

Revenues from continuing operations activities	down	1.4%	to	241,281
Profit (loss) from ordinary activities after tax attributable to members	down	34.7%	to	6,987
Net profit (loss) for the period attributable to members	down	34.7%	to	6,987

Dividends	Amount per security	Franked amount per security
Final dividend	4¢	4¢
Interim dividend	4¢	4¢

Record date for determining entitlements to the dividend.	18 April 2007

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 2006 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 2006.

Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes.

Refer attached Directors Report and Financial Statement Extract

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	26 April 2007
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)	18 April 2007
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:	Current year	**4 ¢**	**4 ¢**	**0 ¢**
	Previous year	**4 ¢**	**4 ¢**	**0 ¢**
Interim dividend:	Current year	**4 ¢**	**4 ¢**	**0 ¢**
	Previous year	**4 ¢**	**4 ¢**	**0 ¢**

The dividend reinvestment plan has been suspended until further notice.

Directors have decided to suspend the company's 'Dividend Reinvestment Plan' in light of the pending placemement of new shares in Devine Limited to Leighton Holdings Limited.

The last date(s) for receipt of election notices for the dividend or distribution plans	**18 April 2007**

Statement of Retained Earnings

	Current period - $A'000	Previous corresponding period - $A'000
Retained profits (accumulated losses) at the beginning of the financial period	**18,347**	**9,882**
Net profit (loss) attributable to members	**6,987**	**10,695**
Dividends and other equity distributions paid or payable	**(5,440)**	**(5,035)**
Retained profits (accumulated losses) at the end of financial period	**19,894**	**15,542**

Net tangible Assets (NTA)

	Current period	Previous corresponding period
Basic NTA	**48.7 ¢**	**43.3 ¢**
Diluted NTA	**47.7 ¢**	**42.4 ¢**

Earnings per security (EPS)

	Current period	Previous corresponding period
Basic EPS	**5.1 ¢**	**8.4 ¢**
Diluted EPS	**4.9 ¢**	**8.2 ¢**

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 the 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: **28 February 2007**
(Company Secretary)

Print name: **Vivian N Grayson**

Directors' report

Your directors submit their report for the half-year ended 31 December 2006.

Directors

The following persons were directors of Devine Limited during the whole of the half-year and up to the date of this report:

D C Somerville, (Chairman), B.Com, FCA, FCPA
D H T Devine, (Managing Director)
D J Ridley
P J Ferris, AM, B.A. (Hons Economics), FCA, FAIM, FAICD
R W Parris, FAICD
K M Woodley, (Marketing Director)
Hon. T M Mackenroth

Chief Financial Officer / Company Secretary

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

Review and results of operations

Refer Directors' Comments attached.

Operating results for the half-year ended 31 December 2006 are set out below:

	Segment revenues		Segment results	
	31 December 2006 $'000	31 December 2005 $'000	**31 December 2006 $'000**	31 December 2005 $'000
Continuing operations				
Housing & Land	**73,300**	98,774	**(5,534)**	4,014
Property Development	**167,891**	145,972	**17,429**	16,010
Corporate/Other	**455**	119	**(1,089)**	(2,423)
	241,646	244,865	**10,806**	17,601
Profit before income tax expense			**10,806**	17,601
Income tax expense			**(3,318)**	(5,377)
Profit from continuing operations			**7,488**	12,224
Discontinued operations				
Finance	**12,918**	9,109	**(600)**	(2,160)
Profit before income tax expense			**(600)**	(2,160)
Income tax expense			**99**	631
Loss from discontinued operations			**(501)**	(1,529)
Profit attributable to members of Devine Limited			**6,987**	10,695

	31 December 2006 Cents	31 December 2005 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**5.5**	9.6
Loss from discontinued operation	**(0.4)**	(1.2)
Profit attributable to the ordinary equity holders of the company	**5.1**	8.4
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**5.3**	9.4
Loss from discontinued operation	**(0.4)**	(1.2)
Profit attributable to the ordinary equity holders of the company	**4.9**	8.2

Matters subsequent to the end of the half-year

Issue of Shares to Leighton Holdings Limited
On 1 February 2007, Devine Limited announced that it had entered into an agreement with Leighton Holdings Limited to issue to them new shares in Devine Limited which would equate to 40% of the then total shares on issue post the placement. If approved by shareholders at a general meeting to be held in early April 2007, this capital restructuring initiative will inject $95.6M of new equity into the Devine group. Details of the proposal together with an independent expert's report and notice of meeting will be dispatched to shareholders in early March 2007.

Sale of First Permanent
The previously announced sale of the company's Finance business, First Permanent Financial Services Pty Ltd, was completed on 23 February 2007. The sale to Merrill Lynch is subject to various sale price adjustments being finalised during March 2007 but is expected to generate a profit before tax of approximately $3.0M which is in line with the amount included in Devine's previously released profit guidance for the 2006/07 year.

The sale will result in the termination of various contingent liabilities that Devine had in relation to the mortgage loans carried in mortgage trusts associated with First Permanent (refer to the contingent liability note 8). In addition, the transaction will remove from Devine's balance sheet, mortgage loans which totalled $250.7M as at 31 December 2006 and which, under the Australian equivalents to International Financial Reporting Standards (AIFRS), were carried as both an asset and liability on the consolidated group's balance sheet.

Purchase of CBD Development Site
On 8 February 2007, the company announced that it had been successful in amalgamating a strategic parcel of land in the Brisbane CBD for a future development. The site comprises an existing low rise residential building containing 23 units and an adjacent vacant block of land. Devine has entered into unconditional contracts on 5 of the units and these have been taken up in inventory in the 31 December 2006 accounts. The remaining 18 units are under option and exercise of the options is subject to a satisfactory development approval for the site being secured by Devine. The balance of the purchase price relating to the 18 units has been reflected as a contingent liability (refer note page 16).

There have been no other significant events that have occured post 31 December 2006.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts

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

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

D C Somerville
Chairman

D H T Devine
Managing Director

Brisbane
28 February 2007

ERNST & YOUNG

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Brisbane QLD 4000
Australia

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Waterfront Place
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 2006, 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

Date: 28 February 2007

Devine Limited
Condensed Income Statement
For the half-year ended 31 December 2006

	Notes	Consolidated 31 December 2006 $'000	31 December 2005 * $'000
Revenue from sale of goods (continuing operations)	2	**241,281**	244,707
Cost of properties sold	4	**(168,873)**	(174,692)
Gross margin on sale of goods		**72,408**	70,015
Other income	3	**365**	158
Expenses, excluding finance costs	4	**(40,580)**	(33,534)
Finance costs	4	**(21,387)**	(19,038)
Profit before income tax (continuing operations)		**10,806**	17,601
Income tax (expense) / benefit		**(3,318)**	(5,377)
Profit from continuing operations		**7,488**	12,224
Loss from discontinued operations after tax	5	**(501)**	(1,529)
Profit for the half-year		**6,987**	10,695
Profit attributable to members of Devine Limited		**6,987**	10,695
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	**5.5**	9.6
Diluted earnings per share	10	**5.3**	9.4
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	**5.1**	8.4
Diluted earnings per share	10	**4.9**	8.2

* Refer note 1(c).

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

Devine Limited
Condensed Balance Sheet
As at 31 December 2006

	Notes	Consolidated 31 December 2006 $'000	30 June 2006 $'000
ASSETS			
Current assets			
Cash and cash equivalents (a)		-	10,687
Receivables		8,890	12,299
Inventories		244,639	282,739
Other assets		2,876	5,430
		256,405	311,155
Assets of a disposal group held for sale (a)	5	266,500	-
Total current assets		522,905	311,155
Non-current assets			
Receivables		-	247,035
Inventories		123,592	117,968
Property, plant and equipment		2,862	3,288
Intangible assets		3,316	3,316
Other non-current assets		2,920	2,574
Total non-current assets		132,690	374,181
Total assets		655,595	685,336
LIABILITIES			
Current liabilities			
Payables		20,899	42,339
Interest bearing liabilities		182,534	270,428
Provisions		3,936	4,474
Non-interest bearing liabilities (b)		43,814	11,577
Current tax liabilities		1,588	1,098
		252,771	329,916
Liabilities directly associated with a disposal group held for sale	5	259,598	-
Total current liabilities		512,369	329,916
Non-current liabilities			
Interest bearing liabilities		51,005	268,497
Non-interest bearing liabilities (b)		8,279	12,500
Deferred tax liabilities		11,039	8,542
Provisions		370	328
Total non-current liabilities		70,693	289,867
Total liabilities		583,062	619,783
Net assets		72,533	65,553
EQUITY			
Contributed equity		52,610	47,206
Reserves		29	-
Retained profits		19,894	18,347
Total equity		72,533	65,553

(a) - Cash balances of the First Permanent group at 31 December 2006 are classified as part of the disposal group held for sale. At 30 June 2006 these balances were shown as 'cash and cash equivalents' (June 2006: $8,373,151). These balances are not available to the Group to meet working capital requirements, but rather are quarantined to meet future interest payment obligations of the company's First Permanent mortgage trust liabilities.

(b) The $52,093,000 (June 2006: $24,077,000) relates to vendor funding negotiated in relation to a number of land acquisitions secured by the company and payable on settlement of the land and transfer of title.

The above balance sheet should be read in conjunction with the accompanying notes.

Devine Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2006

	Notes	Consolidated 31 December 2006 $'000	31 December 2005 $'000
Total equity at the beginning of the half-year		**65,553**	50,613
Add			
Profit for the half-year		**6,987**	10,695
Contributions of equity, net of transaction costs		**5,404**	5,092
Dividends provided for or paid	6	**(5,440)**	(5,035)
Exercise of executive share options		**29**	81
Total equity at the end of the half-year		**72,533**	61,446

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

Devine Limited
Condensed Cash Flow Statement
For the half-year ended 31 December 2006

		Consolidated	
		31 December 2006	31 December 2005 *
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**253,570**	238,285
Payments to suppliers and employees (inclusive of goods and services tax) (a)		**(172,261)**	(216,868)
Interest received	3	**209**	149
Interest paid		**(21,842)**	(13,830)
Income taxes paid		**(233)**	-
Net cash (outflow)/inflow from operating activities		**59,443**	7,736
Cash flows from investing activities			
Payments for property, plant and equipment		**(204)**	(61)
Net cash (outflow)/inflow from investing activities		**(204)**	(61)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**3,978**	4,221
Proceeds from borrowings (a)		**110,360**	111,099
Repayment of borrowings		**(178,078)**	(109,527)
Dividends paid to company's shareholders	6	**(4,038)**	(4,083)
Net cash inflow/(outflow) from financing activities		**(67,778)**	1,710
Net increase/(decrease) in cash and cash equivalents		**(8,539)**	9,385
Cash and cash equivalents at the beginning of the half-year		**2,236**	(8,981)
Cash and cash equivalents at the end of the half-year		**(6,303)**	404

(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 "Proceeds from borrowings" under "Cash flows from financing activities".

* Refer note 1(c).

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

1 Summary of significant accounting policies

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Devine Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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

(a) Basis of preparation of half-year financial report

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 *AASB 134 Interim Financial Reporting* and other mandatory professional reporting requirements.

The financial statements have been prepared in accordance with the historical cost convention. The directors have adopted *AASB 136 Impairment of Assets* and accordingly have determined that there is no impairment to any asset values.

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

(b) Principles of consolidation

The half-year consolidated financial statements comprise the financial statements of Devine Limited and its subsidiaries as at 31 December 2006 ('the Group').

(c) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures and also to exclude, where necessary, the discontinued operations of the group's finance subsidiary, First Permanent Financial Services Pty Ltd. The sale of this business unit was finalised and settled on 23 February 2007.

(d) Changes in accounting estimates

During the half-year ended 31 December 2006, the company commenced preliminary work on several new development projects which included projects that are in different market segments to those traditionally undertaken by Devine. As a consequence, the company has re-assessed the point in time at which development expenditure is deemed recoverable, and hence capitalised on the Balance Sheet as inventory.

For previous projects, expenditure was capitalised when a project received both Board and Development Approval. Expenditure incurred prior to Board and Development Approval was considered to be a 'pre-commitment cost' and was expensed in the period in which it was incurred.

The nature of the new projects are such that costs are now capitalised when a project receives Board Approval and the Board considers it highly likely that a Development Approval will be obtained and accordingly the costs to be incurred will be recovered. The result of this change in accounting estimate has resulted in an additional $2.1M being capitalised as inventory during the half-year to 31 December 2006, which would otherwise have been expensed. It is not practicable to quantify the effect this change in accounting estimate will have in future periods.

2 Revenue

	Consolidated	
	31 December 2006 $'000	31 December 2005 $'000
From continuing operations		
Revenue from operating activities		
Revenue from sale of properties	**241,281**	244,707

3 Other income

	Consolidated	
	31 December 2006 $'000	31 December 2005 $'000
Proceeds on sale of other non-current assets	**-**	3
Interest received - other persons/bodies corporate	**209**	149
Rent received - other persons/bodies corporate	**156**	6
	365	158

4 Expenses

	Consolidated	
	31 December 2006 $'000	31 December 2005 $'000
Expenses, excluding finance costs, included in the income statement classified by function		
Cost of properties sold	**168,873**	174,692
Other expenses	**40,580**	33,534
	209,453	208,226
Classification of these expenses by function		
Cost of properties sold	**168,873**	174,692
Other expenses from ordinary activities		
Marketing *	**23,809**	19,017
Occupancy	**1,246**	1,320
Administration	**3,803**	2,993
Other	**2,493**	115
Land holding expenses	**1,032**	878
Employee expenses	**8,197**	9,211
	209,453	208,226
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**473**	491
Bad debt expense	**198**	(168)
Finance costs		
Interest and finance charges paid/payable *	**21,387**	19,038
Rental expense relating to operating leases		
Operating lease rental	**268**	280
Net (profit)/loss on disposal of property, plant & equipment	**-**	1

* Finance and specific commission costs include some cost incurred in prior periods and capitalised into the company's major projects and then recognised as an expense as settlements of sales from these projects occur.

5 Discontinued operation

(a) Description

On 9 November 2006 the directors announced their intention to sell the company's finance division, First Permanent Financial Services Pty Ltd. Disposal of this division was completed on 23 February 2007 and as at 31 December 2006 final negotiations for the sale were in progress. As at 31 December 2006, the finance division was classified as a disposal group held for sale (in accordance with *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*).

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 9 - segment information.

(b) Financial performance and cash flow information

	31 December 2006 $'000	31 December 2005 $'000
Revenue	**12,918**	9,109
Expenses	**(13,518)**	(11,269)
Loss before income tax	**(600)**	(2,160)
Income tax expense	**99**	631
Loss after income tax of discontinued operations	**(501)**	(1,529)
Net cash (outflow)/inflow from operating activities	**3,695**	(216)
Net cash (outflow)/inflow from investing activities	**(20)**	(38)
Net increase/(decrease) in cash held	**3,675**	(254)
Less: cash flows contributed by parent	**(3,399)**	(2,862)
Net increase/(decrease) in cash generated independently by the division	**276**	(3,116)

5 Discontinued operation (continued)

(c) Assets and liabilities - held for sale operations

The major classes of assets and liabilities of the finance division as at 31 December 2006 are as follows:

	31 December 2006 $'000
Cash and cash equivalents	12,126
Trade and other receivables	251,947
Other assets	2,321
Property, plant and equipment	106
Total assets	266,500
Trade and other payables	(1,634)
Interest bearing liabilities	(257,460)
Provisions	(504)
Total liabilities	(259,598)
Net assets	6,902

6 Dividends

	Devine Limited	
	31 December 2006 $'000	31 December 2005 $'000
(a) Ordinary shares		
Previous year final dividend paid		
Fully franked based on tax paid @ 30% - 4 cents (2005: 4 cents) per share	**5,440**	5,035
	5,440	5,035
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	**4,038**	4,083
Satisfied by issue of shares	**1,402**	952
	5,440	5,035

(b) Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 4 cents per fully paid ordinary share (2005 - 4 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 26 April 2007 out of retained profits at 31 December 2006, but not recognised as a liability at the end of the half-year, is:	**5,684**	5,369

(c) Franked dividends

The franked portions of the interim dividend recommended after 31 December 2006 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax for the year ending 30 June 2007.

	Consolidated	
	31 December 2006 $'000	31 December 2005 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 - 30%)	**2,426**	5,712

The above amounts represent the balance of the franking account as at the end of the half-year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

7 Events occurring after the balance sheet date

Issue of Shares to Leighton Holdings Limited
On 1 February 2007, Devine Limited announced that it had entered into an agreement with Leighton Holdings Limited to issue to them new shares in Devine Limited which would equate to 40% of the then total shares on issue post the placement. If approved by shareholders at a general meeting to be held in early April 2007, this capital restructuring initiative will inject $95.6M of new equity into the Devine group. Details of the proposal together with an independent expert's report and notice of meeting will be dispatched to shareholders in early March 2007.

Sale of First Permanent
The previously announced sale of the company's Finance business, First Permanent Financial Services Pty Ltd, was completed on 23 February 2007. The sale to Merrill Lynch is subject to various sale price adjustments being finalised during March 2007 but is expected to generate a profit before tax of approximately $3.0M which is in line with the amount included in Devine's previously released profit guidance for the 2006/07 year.

The sale will result in the termination of various contingent liabilities that Devine had in relation to the mortgage loans carried in mortgage trusts associated with First Permanent (refer to the contingent liability note 8). In addition, the transaction will remove from Devine's balance sheet, mortgage loans which totalled $250.7M as at 31 December 2006 and which, under the Australian equivalents to International Financial Reporting Standards (AIFRS), were carried as both an asset and liability on the consolidated group's balance sheet.

Purchase of CBD Development Site
On 8 February 2007, the company announced that it had been successful in amalgamating a strategic parcel of land in the Brisbane CBD for a future development. The site comprises an existing low rise residential building containing 23 units and an adjacent vacant block of land. Devine has entered into unconditional contracts on 5 of the units and these have been taken up in inventory in the 31 December 2006 accounts. The remaining 18 units are under option and exercise of the options is subject to a satisfactory development approval for the site being secured by Devine. The balance of the purchase price relating to the 18 units has been reflected as a contingent liability (refer note page 16).

There have been no other significant events that have occured post 31 December 2006.

8 Contingencies

Contingent liabilities

The parent entity and group had contingent liabilities at 31 December 2006 in respect of:

Guarantees
The parent entity and controlled entities have entered into local authority and other performance guarantees totalling $4,640,128 at 31 December 2006 (June 2006: $4,770,723) 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, a performance guarantee totalling $200,000 at 31 December 2006 (June 2006: $200,000) associated with the company's "Victoria Point Docklands" Project, has been issued. The guarantee is secured by charges over the assets of the parent entity. This guarantee relates to the company's future obligations in relation to potential maintenance work required to the project's common areas. No liabilities are expected to arise in respect to this.

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 $3,762,821 (June 2006: $3,833,143) 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 $2,405,155 (June 2006: $5,127,120) 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 2006: $1,500,000) has been issued to one of the lending institutions. These funds are only available to meet costs associated with a loss on resale occurring as a result of buyer default on mortgages and repossessions. The consolidated entity's liability is limited to between 2% and 7%, of the original loan amount of the defaulting purchaser in each individual case and the amounts held in the bank accounts and performance guarantee in total. That is, the consolidated entity could not be liable for more than $7,667,976 as at 31 December 2006 (June 2006: $10,460,263). As at the 31 December 2006 a provision of $842,554 (June 2006: $1,259,466) has been raised on the basis of expected future costs.

Sale of First Permanent business
Subsequent to 31 December 2006, on settlement of the sale of the company's First Permanent Financial Services Pty Ltd business, $700,000 was refunded to Devine Limited and a further $1,105,155 is due to be refunded to Devine Limited in April 2007. Under the terms of the sale agreement, Devine will have no further exposure to any losses that might occur in respect to the mortgage loans written by subsidiaries of the First Permanent group. Under the terms of the sale agreement, Devine Limited has provided various warranties and indemnities to the purchaser which have been agreed on commercial terms that are satisfactory to Devine.

At 31 December, the company had 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 existed to the extent of $1,500,000 (June 2006: $1,500,000) in relation to Devine Limited undertaking to meet the future working capital requirements of First Permanent Financial Services Pty Ltd. Under the terms of the sale of the First Permanent business, this obligation ceased on 23 February 2007 and the contingent liability was extinguished.

Land and Property Acquisition Commitments
As at 31 December 2006 the group had entered into land marketing agreements to acquire developers' land amounting to $14,487,100 (June 2006: $21,865,400). Of this amount, $7,125,900 related to land that had been sold but was not yet at unconditional contract status (June 2006: $2,991,000). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

As at 31 December 2006, the group had entered into a number of options to purchase individual residential units and a parcel of adjoining land at a site earmarked for future development. The exercise of the options is conditional upon obtaining a suitable development approval and securing all units in the existing development. Should these conditions be met, an amount of $18,633,262 would be required to be paid to the vendors to complete the individual purchases (refer note 7, page 15).

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

9 Segment information

(a) Primary reporting format - business segments

Half-year 2006	Housing and land $'000	Property development $'000	Corporate / other $'000	**Total continuing operations $'000**	Discontinued operation (Finance) (note 5) $'000	Consolidated $'000
Total sales revenue	73,116	167,891	274	**241,281**	12,918	254,199
Other revenue / income	184	-	181	**365**	-	365
Total segment revenue / income	73,300	167,891	455	**241,646**	12,918	254,564
Segment result	(5,534)	17,429	(1,089)	**10,806**	(600)	10,206
Profit before income tax						10,206
Income tax expense						(3,219)
Net profit						6,987

Half-year 2005	Housing and land $'000	Property development $'000	Corporate / other $'000	**Total continuing operations $'000**	Discontinued operation (Finance) (note 5) $'000	Consolidated $'000
Total sales revenue	98,720	145,987	-	**244,707**	9,109	253,816
Other revenue / income	54	(15)	119	**158**	-	158
Total segment revenue / income	98,774	145,972	119	**244,865**	9,109	253,974
Segment result	4,014	16,010	(2,423)	**17,601**	(2,160)	15,441
Profit before income tax						15,441
Income tax expense						(4,746)
Net profit						10,695

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 amount of borrowing costs allocated to segments is as follows:

Housing $1,790,382 (Dec 2005: $534,417); Property Development $19,428,452 (Dec 2005: $17,010,188); Corporate/Other $168,507 (Dec 2005: $1,492,934); and Finance $Nil (Dec 2005: $Nil).

(b) Secondary reporting format - geographical segments

The Company operates in only one geographic segment; Australia - within Australia operations are carried on in Queensland, Victoria and South Australia.

10 Earnings per share

	Consolidated 31 December 2006 Cents	31 December 2005 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**5.5**	9.6
Loss from discontinued operation	**(0.4)**	(1.2)
Profit attributable to the ordinary equity holders of the company	**5.1**	8.4
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**5.3**	9.4
Loss from discontinued operation	**(0.4)**	(1.2)
Profit attributable to the ordinary equity holders of the company	**4.9**	8.2

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated 31 December 2006 $'000	31 December 2005 $'000
Basic and diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**7,488**	12,224
Loss from discontinued operation	**(501)**	(1,529)
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**6,987**	10,695

(d) Weighted average number of shares used as the denominator

	Consolidated 31 December 2006 Number	31 December 2005 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**137,469,238**	126,838,774
Options	**2,959,795**	2,975,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**140,429,033**	129,813,774
Shares on issue as at 31 December	**142,102,232**	134,258,649

Conversions, calls, subscriptions or issues since the reporting date
There have been no 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. There is however a resolution to be put to shareholders in early April 2007 relating to a proposal to issue 94.7 million new shares in Devine Limited to Leighton Holdings Limited. If approved and issued, these shares do not qualify for the interim dividend payable on 26 April 2007.

Devine Limited
Directors' declaration
31 December 2006

In the directors' opinion:

the financial statements and notes set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(iii) complying with Accounting Standard *AASB 134 Interim Financial Reporting;* and there are reasonable

(b) grounds to believe that Devine Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

D C Somerville
Chairman

D H T Devine
Managing Director

Brisbane
28 February 2007

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To the members of Devine Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Devine Limited and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report
The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Devine Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of 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 consolidated entity's financial position as at 31 December 2006 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

Ernst & Young

Ric Roach
Partner
Brisbane

Dated: 28 February 2007