Devine LIMITED A.C.N. 010 769 365

# Devine Limited
# Appendix 4D & Final Accounts

ABN 51 010 769 365

## For the half-year ended 31 December 2008

Devine LIMITED
A.C.N. 010 769 365

# Directors' Comments
## Half -Year Ended 31 December 2008

26 February 2009

The Directors of Devine Limited are pleased to announce an after tax profit of $11.595 million for the half-year ended 31 December 2008. The profit result is 15.4% up on the corresponding six-month period to December 2007. The result was derived from revenue of $203.971 million, which was 17.6% lower than that reported for the six months to December 2007.

## Dividend

Directors have declared an **interim dividend of 3.0 cents per share fully franked** (last year 4.0 cents) which will be payable on 30th April 2009. The record date for determining entitlement to the dividend is the 6th April 2009.

The company's Dividend Reinvestment Plan (DRP) is active for shareholders who wish to receive their dividend by way of an issue of Devine's shares. The shares will be issued at a discount of 5% to the company's weighted average share price in the 10 trading days post the record date.

## Highlights for the Half- Year

The following are key highlights for the half-year and up to the date of this report:

- Profits for the Housing and Land Division up 200% on last year.
- Profits for the Property Development Division up 15% on last year
- Completion in September 08 of the company's first city fringe commercial development at Herston in Brisbane
- Receipt of a Development Approval on the company's proposed Brisbane CBD office development, "King George Central", which is to be undertaken in a Joint Venture with Leighton Properties.
- Roll-over of the Group's core debt facilities with the ANZ for a further two years to February 2011.

## Results Summary

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

| $000's | Half-Year Ended | |
|---|---|---|
| | **Dec. 2008** | **Dec. 2007** |
| Revenue | 203,971 | 247,502 |
| Profit Before Tax | 16,792 | 13,641 |
| Net Profit After Tax Attributable to Shareholders | 11,595 | 10,044 |
| EPS Basic | 4.0 cents | 4.2 cents |
| EPS Diluted | 4.0 cents | 4.1 cents |
| Interim Dividend – (Fully Franked) | 3.0 cents | 4.0 cents |

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## Housing Division

Despite a flat housing market over the six months to December, Devine's Housing and Land Division generated increased profits with a profit before tax of $6.482 million being recorded. This compared with a profit of $2.150 million in the December 2007 half.

The company's Victorian and South Australian operations both performed well reflecting that housing affordability in these markets remained at reasonable levels. Depressed market conditions persisted in Queensland. This was largely a result of the significant increase in the cost of land over the last few years and the adverse impact this has had on housing affordability in the state. Material increases in infrastructures charges imposed by local authorities have been a major contributor to the increased cost of land.

Another important factor contributing to the improved result for the Housing & Land division is the strategy adopted by Devine to actively market developed lots to other builders. This supplements sales made to Devine's housing customers in the owner occupier and investor segments. Six hundred and seventy-six lots settled in the December 08 half compared to the 643 lots that settled in the corresponding period for 2007.

The increase in the First Home Owners Grant (FHOG) available to purchasers of new homes from $7,000 to $21,000 which was announced in October 08 was welcome news. The 4% fall in interest rates (cash rate) from their peak of 7.25% in the current cycle to the current 3.25% has also contributed to improved affordability. This has seen a significant lift in the level of enquiry from first home buyers, including in Queensland, which it is hoped will translate into confirmed sales and increased land settlements and housing starts in the latter part of the June 09 half.

## Property Development Division

This division reported a profit before tax of $12.319 million for the six months (corresponding period last year $10.703 million) an increase of 15.1%. The following projects contributed to the half-year's results:

Completion and settlement occurred on the company's inner-city office development ***ICB Central*** at Herston in Brisbane. The project was completed ahead of schedule and well within budget.

The ***333 Ann St*** office development also contributed to the half-year result. Final settlement occurred in this half-year and additional profits were released on finalisation of the project in the December 08 half-year.

***Bourke Street*, Melbourne** - This 398 room serviced apartment hotel project was pre-sold to The Ascott Group for $136 million. Multiplex, who are contracted to build the hotel, commenced construction in June 08 and the structure was 14% complete at 31 December 08 and on schedule to be completed by September 2010. Revenue and profits are being declared progressively as Devine is in receipt of monthly progress payments on the project.

A brief update on other Devine property development sites follows:

***96 Albert Street*, Brisbane** – This site has been sold and settlement is scheduled to occur in this financial year.

***99 Mary Street*, Brisbane** – Various options are being progressed in relation to this small Brisbane CBD site.

***Carrington & Camelot* sites (French Quarter), Brisbane** – These sites are situated on the corners of Alice, Albert and Margaret Streets in the Brisbane CBD opposite the Botanical Gardens. The amalgamation of a total of 48 existing residential units in two older style low-rise unit developments together with two small immediately adjacent sites provides an exciting future redevelopment opportunity.

The following is a brief update on the status of projects being undertaken in Joint Venture with Leighton Properties:

***Hamilton Harbour,* Brisbane** – This is a mixed-use residential, commercial and retail development being undertaken in a Joint Venture with Leighton Properties. It will be developed over a number of stages and has an estimated end value when completed of approximately $500M. Development approval for the site has now been received and marketing of the first stage of the residential component is scheduled to commence in March 09.

***King George Central, 145 Ann Street*, Brisbane** – Development approval for the planned 35 level office tower was received in the December 08 half and pre-leasing of the project is underway.

***QLD Rail Land*, Townsville** – Following a successful tender for this strategic site adjacent to Townsville's CBD, Leighton Properties and Devine will jointly develop this mixed-use project in stages over the next seven to ten years. Following extensive consultation with the Townsville City Council, a development application has been lodged and will be progressed over the coming months.

## Devine Constructions

Following completion in September of the ***ICB Central*** office development, Devine Constructions were awarded the fit out contract for the building by the Queensland Health Department. Work is progressing well on the $14M project and is scheduled to be completed in March 09. Devine Constructions has also been awarded the construction contract for the Devine/Leighton Properties joint venture development, ***Hamilton Harbour***, discussed above.

## Body Corporate and Property Management

The Body Corporate and Property Management Division, SSKB, recorded a profit before tax for the six months of $0.422 million.

Due to the economic slow down and deferral of a number of large projects by other developers, new projects that were anticipated to add to the 23,500 "lots" currently under body corporate management have not eventuated in this period. The division continues to trade profitably and the June 09 half result is forecast to show an improvement on the first half.

## Capital Management & Debt Profile

As noted above, the Devine Group's $180 million "Evergreen" core debt facility with the ANZ was rolled over for a further two years until February 2011. The balance of the company's debt is project specific. That is secured by individual land holdings and projects.

The company has a Dividend Reinvestment Plan (DRP) available to shareholders.

## Company Outlook

Much has been written about the sudden and material deterioration in the economic environment both here in Australia and to a greater degree overseas.

Devine is in a fortunate position whereby it is well placed to benefit from the economic stimulus being given by the Federal and State Governments to the new home sector through the increased First Home Owners Grant. In addition, the recent reduction in interest rates will also make a significant contribution to improving housing affordability. This, at a time when there is a growing deficit in Australia's housing stocks which is evidenced by low vacancy rates in most markets and increased rents.

Nevertheless, the overall economic environment is uncertain and will inevitably result in some deferral of planned projects that have a commercial or retail component. Forecasting in this environment is very difficult. Directors have however provided guidance in relation to the expected result for the 2008/09 financial year with a profit after tax in the range of $23 million to $25 million projected. This is subject to a number of transactions being completed prior to 30 June and the recent improvement experienced in sales in the Housing and Land division continuing over the coming months.

***For further information contact:***

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

# Appendix 4D

## Half Year 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 2008** | **31 December 2007** |

**Results for announcement to the market**

| | | | | $A'000 |
|---|---|---|---|---|
| Revenues from continuing operations | down | **17.6%** | to | **203,971** |
| Profit (loss) from ordinary activities after tax attributable to members | up | **15.4%** | to | **11,595** |

**Brief explanation of any of the figures reported above 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 3 cents per ordinary share has been declared post 31 December 2008 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 2008.**

**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 | **30 April 2009** |
| Record date to determine entitlements to the dividend (distribution) (i.e. 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) | **6 April 2009** |
| 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 | **n/a** | **n/a** | **n/a** |
| | Previous year | **4 ¢** | **4 ¢** | **0 ¢** |
| **Interim dividend:** | Current year | **3 ¢** | **3 ¢** | **0 ¢** |
| | Previous year | **4 ¢** | **4 ¢** | **0 ¢** |

**The Company's Dividend Reinvestment Plan was reactivated on 28 August 2008.**

| | |
|---|---|
| The last date(s) for receipt of election notices for the dividend or distribution plans | **6 April 2009** |

**Statement of Retained Earnings**

| | Current period - $A'000 | Previous corresponding period - $A'000 |
|---|---|---|
| Retained profits (accumulated losses) at the beginning of the financial period | **39,538** | **28,590** |
| Net profit (loss) attributable to members | **11,595** | **10,044** |
| Dividends and other equity distributions paid or payable | **(11,445)** | **(9,475)** |
| **Retained profits (accumulated losses) at the end of financial period** | **39,688** | **29,159** |

**Net tangible Assets (NTA)**

| | Current period | Previous corresponding period |
|---|---|---|
| Basic NTA | **82.1 ¢** | **78.2 ¢** |
| Diluted NTA | **81.3 ¢** | **76.6 ¢** |

**Earnings per security (EPS)**

| | Current period | Previous corresponding period |
|---|---|---|
| Basic EPS | **4.0 ¢** | **4.2 ¢** |
| Diluted EPS | **4.0 ¢** | **4.1 ¢** |

**Compliance statement**

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to 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: **25 February 2009**
(Company Secretary)

Print name: **Vivian N Grayson**

## Directors' report

Your directors submit their report for the half-year ended 31 December 2008.

**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 J Ridley (appointed as Chairman on 31 October 2008)
D H T Devine
P J Ferris
Hon. T M Mackenroth
G E McOrist
R W Parris
V A Vella
K M Woodley

* D C Somerville (resigned as Chairman and director on 31 October 2008)

**Chief Financial Officer / Company Secretary**

V N Grayson

**Review of operations**

Refer Directors' Comments attached.

Operating results for the half-year ended 31 December 2008 are set out below:

| | Segment revenues | | Segment results | |
|---|---|---|---|---|
| | **31 December 2008 $'000** | 31 December 2007 $'000 | **31 December 2008 $'000** | 31 December 2007 $'000 |
| **Continuing operations** | | | | |
| Housing & Land | **146,257** | 134,640 | **6,482** | 2,150 |
| Property Development | **49,650** | 107,980 | **12,319** | 10,703 |
| Body Corporate Management | **6,099** | 2,830 | **422** | 578 |
| Corporate/Other | **1,965** | 2,052 | **(438)** | 210 |
| Interest Rate Swap Expense | **-** | - | **(1,993)** | - |
| | **203,971** | 247,502 | **16,792** | 13,641 |
| Profit before income tax expense | | | **16,792** | 13,641 |
| Income tax expense | | | **(5,197)** | (3,597) |
| Profit for the year | | | **11,595** | 10,044 |
| Profit attributable to members of Devine Limited | | | **11,595** | 10,044 |

| | 31 December 2008 Cents | 31 December 2007 Cents |
|---|---|---|
| **(a) Basic earnings per share** | | |
| Profit from continuing operations attributable to the ordinary equity holders of the company | **4.0** | 4.2 |
| Profit attributable to the ordinary equity holders of the company | **4.0** | 4.2 |
| **(b) Diluted earnings per share** | | |
| Profit from continuing operations attributable to the ordinary equity holders of the company | **4.0** | 4.1 |
| Profit attributable to the ordinary equity holders of the company | **4.0** | 4.1 |

**Matters subsequent to the end of the half-year**

No significant events have occured post 31 December 2008.

## 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 J Ridley
Chairman

D H T Devine
Managing Director

Brisbane
25 February 2009

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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 Limited for the half-year ended 31 December 2008, 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

Ric Roach
Partner

25 February 2009

**Devine Limited**
**Income statement**
**For the half-year ended 31 December 2008**

| | Notes | **Consolidated 31 December 2008 $'000** | Consolidated 31 December 2007 $'000 |
|---|---|---|---|
| Revenue | 2 | **199,374** | 245,636 |
| Cost of properties sold | 3 | **(128,145)** | (184,846) |
| Gross profit | | **71,229** | 60,790 |
| Other revenue | 2 | **4,597** | 1,866 |
| Expenses (excluding finance costs) | 3 | **(50,358)*** | (41,702) |
| Finance costs | 3 | **(8,320)** | (7,371) |
| Share of net profits of associates and joint venture entities accounted for using the equity method | 8(b) | **(356)** | 58 |
| **Profit before income tax** | | **16,792** | 13,641 |
| Income tax expense | | **(5,197)** | (3,597) |
| Profit from continuing operations | | **11,595** | 10,044 |
| **Profit attributable to the members of Devine Limited** | | **11,595** | 10,044 |
| **Earnings per share for profit attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 10 | **4.0** | 4.2 |
| Diluted earnings per share | 10 | **4.0** | 4.1 |

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

* Comparative cost increase results largely from the inclusion of an acquired subsidary's costs (acquired in September 2007).

**Devine Limited**
**Balance sheet**
**As at 31 December 2008**

| | Notes | Consolidated 31 December 2008 $'000 | 30 June 2008 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **15,653** | 19,990 |
| Receivables | | **40,886** | 56,773 |
| Inventories | | **250,539** | 252,167 |
| Derivative financial instruments | | **-** | 567 |
| Current tax receivables | | **-** | 4,837 |
| Other assets | | **4,907** | 9,145 |
| Total current assets | | **311,985** | 343,479 |
| **Non-current assets** | | | |
| Receivables | | **30,200** | 38,375 |
| Investments accounted for using the equity method | 5 | **25,420** | 21,396 |
| Property, plant and equipment | | **2,565** | 2,177 |
| Intangible assets | | **17,154** | 16,885 |
| Inventories | | **331,142** | 328,371 |
| Other non-current assets | | **5,120** | 8,710 |
| Total non-current assets | | **411,601** | 415,914 |
| **Total assets** | | **723,586** | 759,393 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Payables | | **65,264** | 81,650 |
| Interest bearing liabilities | | **103,604** | 39,828 |
| Derivative financial instruments | | **6,698** | - |
| Current tax liabilities | | **4,824** | - |
| Provisions | | **3,616** | 4,374 |
| Non-interest bearing liabilities | | **68,015** | 84,452 |
| Total current liabilities | | **252,021** | 210,304 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | | **204,702** | 258,509 |
| Deferred tax liabilities | | **4,173** | 8,548 |
| Provisions | | **471** | 446 |
| Non-interest bearing liabilities | | **-** | 30,012 |
| Derivative financial instruments | | **4,205** | - |
| Total non-current liabilities | | **213,551** | 297,515 |
| **Total liabilities** | | **465,572** | 507,819 |
| **Net assets** | | **258,014** | 251,574 |
| **EQUITY** | | | |
| Contributed equity | | **218,027** | 211,782 |
| Reserves | | **299** | 254 |
| Retained profits | | **39,688** | 39,538 |
| **Total equity** | | **258,014** | 251,574 |

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

**Devine Limited**
**Statement of changes in equity**
**For the half-year ended 31 December 2008**

| | Notes | Consolidated 31 December 2008 $'000 | 31 December 2007 $'000 |
|---|---|---|---|
| **Total equity at the beginning of the half-year** | | **251,574** | 176,884 |
| Profit for the half-year | | **11,595** | 10,044 |
| Contributions of equity, net of transaction costs | | **6,245** | 61,781 |
| Dividends provided for or paid | 4 | **(11,445)** | (9,475) |
| Option expense transferred to reserve | | **45** | 118 |
| **Total equity at the end of the half-year** | | **258,014** | 239,352 |

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

**Devine Limited**
**Cash flow statement**
**For the half-year ended 31 December 2008**

| | | Consolidated | |
|---|---|---|---|
| | | **31 December 2008** | 31 December 2007 |
| | Notes | **$'000** | $'000 |
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **251,993** | 220,218 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(197,198)** | (146,860) |
| | | **54,795** | 73,358 |
| Joint venture distributions received | | **195** | 94 |
| Interest received | | **887** | 1,435 |
| Other revenue | | **-** | 29 |
| Interest paid | | **(13,557)** | (11,800) |
| Income taxes (paid)/ received | | **76** | (18,422) |
| **Net cash (outflow) inflow from operating activities** | | **42,396** | 44,694 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of subsidiary, net of cash acquired | | **(436)** | (48,444) |
| Payments for property, plant and equipment | | **(1,189)** | (548) |
| Payments for investment in joint ventures | | **(4,381)** | - |
| Payments for investment in land inventory | | **(45,225)** | (194,273) |
| **Net cash (outflow) inflow from investing activities** | | **(51,231)** | (243,265) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares and other equity securities | | **-** | 62,525 |
| Proceeds from borrowings | | **20,446** | 148,603 |
| Share issue transaction costs | | **-** | (36) |
| Repayment of borrowings | | **(10,208)** | (22,116) |
| Finance lease payments | | **(34)** | (20) |
| Dividends paid to company's shareholders | 4 | **(5,706)** | (9,475) |
| **Net cash inflow (outflow) from financing activities** | | **4,498** | 179,481 |
| **Net increase (decrease) in cash and cash equivalents** | | **(4,337)** | (19,090) |
| Cash and cash equivalents at the beginning of the half-year | | **19,990** | 61,294 |
| **Cash and cash equivalents at end of the half-year** | | **15,653** | 42,204 |

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 2008 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.

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 2008 ('the Group').

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

### (c) Revenue recognition

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

*(i) Land development and resale*
Revenue on sale of land is recognised on settlement.

*(ii) Property development*
Revenue in respect of the company's large property development projects is recognised on settlement of the individual units. Costs in relation to individual settled units are recognised in proportion to the total costs for the project and based on the percentage of revenue to total forecast project revenue that the settled units represent.

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

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

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

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

*(v) Service revenue*

*Delivery agreements*

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

*Management fees - SSKB Group*

## 1 Summary of significant accounting policies (continued)

### (c) Revenue recognition (continued)

Revenue from management fees is recognised upon delivery of the service to the customers.

### (d) Joint ventures

*(i) Joint venture operations*
The proportionate interests in the assets, liabilities, revenues and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 8.

*(ii) Joint venture entities*
The interest in joint venture entities is accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture entity is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the entities are set out in note 8.

### (e) Comparatives

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

## 2 Revenue

| | Consolidated | |
|---|---|---|
| | **31 December 2008 $'000** | 31 December 2007 $'000 |
| Revenue from sale of properties | **193,338** | 242,817 |
| Service revenue - body corporate management | **6,036** * | 2,819 |
| | **199,374** | 245,636 |
| Interest rate swap income | **-** | 333 |
| Interest received - other persons/bodies corporate | **2,870** | 1,356 |
| Rent received - other persons/bodies corporate | **1,062** | 148 |
| Sundry income - other persons/bodies corporate | **665** | 29 |
| | **4,597** | 1,866 |
| | **203,971** | 247,502 |

* Comparative revenue increase results from the inclusion of an acquired subsidiary (acquired in September 2007)

## 3 Expenses

| | Consolidated | |
|---|---|---|
| | **31 December 2008 $'000** | 31 December 2007 $'000 |
| **Expenses, excluding finance costs, included in the income statement classified by function** | | |
| Cost of properties sold | **128,145** | 184,846 |
| Other expenses | **50,358** | 41,702 |
| | **178,503** | 226,548 |
| **Classification of these expenses by function** | | |
| Cost of properties sold | **128,145** | 184,846 |
| Other expenses from ordinary activities | | |
| Marketing | **19,196** | 20,447 |
| Occupancy ** | **2,196** | 1,680 |
| Administration ** | **4,744** | 3,575 |
| Other ** | **4,867** | 3,002 |
| Land holding expenses | **3,200** | 1,274 |
| Employee expenses ** | **16,155** | 11,724 |
| | **178,503** | 226,548 |
| **Profit before income tax includes the following specific expenses:** | | |
| *Depreciation* | | |
| Plant and equipment | **442** | 450 |
| Display homes | **67** | 198 |
| Leased assets | **19** | 14 |
| Total depreciation | **528** | 662 |
| *Finance costs* * | | |
| Interest and finance charges paid/payable | **6,045** | 7,371 |
| Finance charges - lease liability | **282** | - |
| Interest Rate Swap Expense | **1,993** | - |
| Finance costs expensed | **8,320** | 7,371 |
| Bad debt expense | **8** | 76 |
| Operating lease rental | **342** | 376 |

* Finance costs include some costs 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.

** Comparative cost increase results largely from the inclusion of an acquired subsidiary's costs (acquired in September 2007).

## 4 Dividends

| | Devine Limited | |
|---|---|---|
| | **31 December 2008 $'000** | 31 December 2007 $'000 |
| **(a) Ordinary shares** | | |
| Previous year final dividend paid | | |
| Fully franked based on tax paid @ 30% - 4 cents (2007: 4 cents) per share | **11,445** | 9,475 |
| | **11,445** | 9,475 |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows: | | |
| Paid in cash | **5,706** | 9,475 |
| Satisfied by issue of shares | **5,739** | - |
| | **11,445** | 9,475 |

**(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 3 cents per fully paid ordinary share (2007: 4 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 April 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is: | **8,805** | 11,368 |

**(c) Franked dividends**

The franked portions of the interim dividend recommended after 31 December 2008 will be franked out of existing franking credits.

| | Consolidated | |
|---|---|---|
| | **31 December 2008 $'000** | 31 December 2007 $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%) | **13,669** | 9,359 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

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

## 5 Non-current assets - Investments accounted for using the equity method

| | Consolidated | |
|---|---|---|
| | **31 December 2008 $'000** | 30 June 2008 $'000 |
| Interest in joint venture partnerships and associated entities (note8(b)) | **25,420** | 21,396 |

## 6 Events occurring after the balance sheet date

No other significant events have occurred post 31 December 2008.

## 7 Contingencies

**Contingent liabilities**

The parent entity and group had contingent liabilities at 31 December 2008 in respect of:

*Guarantees*
The parent entity and controlled entities have entered into local authority and other performance guarantees totalling $16,630,880 at 31 December 2008 (June 2008: $14,060,946) 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.

The company has deposited $1,084,541 (June 2008: $1,317,965) into bank accounts subject to charges by agreement with the financial institutions which provide funding for mortgages under the "Builder Pays Deposit" promotion. Of this amount, $762,681 was released to the company on 15 January 2009. In addition, a performance guarantee totalling $1,500,000 (June 2008: $1,650,000) in respect to these loans has been issued to one of the lending institutions. The 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 5% 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 $2,584,540 as at 31 December 2008 (June 2008: $2,967,965). As at 31 December 2008 a provision of $449,941 (June 2008: $709,000) has been raised on the basis of expected future costs.

*Land and Property Acquisition Commitments*
As at 31 December 2008 the group had entered into land marketing agreements to acquire other developers' land amounting to $4,840,900 (June 2008: $9,466,700). Of this amount, $2,897,500 related to land that had been sold but was not yet at unconditional contract status (June 2008: $3,525,800). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

*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.

## 8 Interests in joint ventures

### (a) Joint venture operations

| Name | **% Interest Held 31 December 2008** | % Interest Held 30 June 2008 |
|---|---|---|
| Deer Park Joint Venture | **50** | 50 |
| Halletts Road Joint Venture | **50** | 50 |
| Casey Fields Joint Venture | **55** | - |

The group's interests in the joint ventures are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(d)(i) under the following classifications:

| | **Consolidated** | |
|---|---|---|
| | **31 December 2008 $'000** | 30 June 2008 $'000 |
| **Current assets** | | |
| Cash and cash equivalents | **116** | 80 |
| Trade and other receivables | **464** | 220 |
| Inventories | **7,302** | 6,113 |
| Total current assets | **7,882** | 6,413 |
| **Non-current assets** | | |
| Inventories (land held for resale) | **16,068** | 4,323 |
| Total non-current assets | **16,068** | 4,323 |
| Share of assets employed in joint venture | **23,950** | 10,736 |
| **Current liabilities** | | |
| Trade and other payables | **6,795** | 1,405 |
| Interest bearing liabilities | **4,705** | 3,317 |
| Total current liabilities | **11,500** | 4,722 |
| **Non-current liabilities** | | |
| Interest bearing liabilities | **10,369** | 3,601 |
| Total non-current liabilities | **10,369** | 3,601 |
| Share of liabilities employed in joint venture | **21,869** | 8,323 |
| Net assets | **2,081** | 2,413 |

## 8 Interests in joint ventures (continued)

### (b) Joint venture entities

| Name | Ownership interest | | Carrying value of investment Consolidated | |
|---|---|---|---|---|
| Name and principal activity | 31 December 2008 % | 30 June 2008 % | 31 December 2008 $'000 | 30 June 2008 $'000 |
| Hamilton Harbour Unit Trust | **50 %** | 50 % | **15,012** | 13,095 |
| 145 Ann Street Trust | **50 %** | 50 % | **1,459** | 570 |
| Townsville City Project Trust | **50 %** | 50 % | **7,273** | 7,219 |
| Silver Body Corporate Financial Services Pty Ltd | **50 %** | 50 % | **383** | 511 |
| Deep Blue Consortium Pty Ltd | **45 %** | 45 % | **9** | - |
| Fallingwater Trust | **15 %** | 15 % | **1,284** | 1 |
| | | | **25,420** | 21,396 |

At balance date, the group had equity interest in a number of joint venture entities and these are detailed below:

(i) The group has a 50% interest in Devine Hamilton Unit Trust, which is resident in Australia and the principal activity is property development.

(ii) The group has a 50% interest in Silver Body Corporate Financial Services Pty Ltd, which is resident in Australia and the principal activity is banking operations.

(iii) The group has a 50% interest in Townsville City Project Trust, which is resident in Australia and the principal activity is property development.

(iv) The group has a 50% interest in the 145 Ann Street Trust, which is resident in Australia and the principal activity is property development.

(v) The group has a 45% interest in Deep Blue Consortium Pty Ltd, which is resident in Australia and the principal activity is property development.

(vi) The group has a 15% interest in the Fallingwater Trust, which is resident in Australia and the principal activity is property development.

The interests in the joint venture entities are accounted for using the equity method of accounting and are carried at cost by the parent entity. Information relating to the joint venture entities is set out below.

| | Consolidated | |
|---|---|---|
| | 31 December 2008 $'000 | 30 June 2008 $'000 |
| **Carrying amount of investment in joint venture entities** | **25,420** | 21,396 |
| **Share of joint venture entities assets and liabilities** | | |
| Current assets | **1,935** | 1,919 |
| Non-current assets | **39,261** | 32,532 |
| Total assets | **41,196** | 34,451 |
| Current liabilities | **276** | 193 |
| Non-current liabilities | **16,223** | 13,937 |
| Total liabilities | **16,499** | 14,130 |
| Net assets | **24,697** | 20,321 |

## 8 Interests in joint ventures (continued)

| | Consolidated | |
|---|---|---|
| | **31 December 2008 $'000** | 31 December 2007 $'000 |
| **Share of joint venture entities revenue, expenses and results** | | |
| Revenues | **566** | 91 |
| Expenses | **(922)** | (33) |
| Profit/ (loss) before income tax | **(356)** | 58 |
| Share of net profit/ loss of joint venture entities accounted for using the equity method | **(356)** | 58 |

## 9 Segment information

### (a) Primary reporting format - business segments

| **Half-year 2008** | Housing and Land $'000 | Property Development $'000 | Body Corporate Management $'000 | Corporate / Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Total sales revenue | 146,089 | 46,813 | 6,036 | 436 | 199,374 |
| Other revenue | 168 | 2,837 | 63 | 1,529 | 4,597 |
| Total segment revenue | 146,257 | 49,650 | 6,099 | 1,965 | 203,971 |
| Segment result | 6,482 | 12,319 | 422 | (2,431)* | 16,792 |
| Profit before income tax | | | | | 16,792 |
| Income tax expense | | | | | (5,197) |
| Profit for the year | | | | | 11,595 |
| Investments in joint venture entities | 1,284 | 23,753 | 383 | - | 25,420 |
| Share of net profits/ (losses) of joint venture entities | 170 | (593) | 67 | - | (356) |

| **Half-year 2007** | Housing and land $'000 | Property Development $'000 | Body Corporate Management $'000 | Corporate / Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Total sales revenue | 134,376 | 107,943 | 2,819 | 498 | 245,636 |
| Other revenue | 264 | 37 | 11 | 1,554 | 1,866 |
| Total segment revenue | 134,640 | 107,980 | 2,830 | 2,052 | 247,502 |
| Segment result | 2,150 | 10,703 | 578 | 210 | 13,641 |
| Profit before income tax | | | | | 13,641 |
| Income tax expense | | | | | (3,597) |
| Profit for the year | | | | | 10,044 |
| Investments in joint venture entities | - | 20,885 | 511 | - | 21,396 |
| Share of net profits/ (losses) of joint venture entities | - | - | 58 | - | 58 |

* Includes interest rate swap expense of $1,993,000.

### (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 2008 Cents** | 31 December 2007 Cents |
| **(a) Basic earnings per share** | | |
| Profit attributable to the ordinary equity holders of the company | **4.0** | 4.2 |
| **(b) Diluted earnings per share** | | |
| Profit attributable to the ordinary equity holders of the company | **4.0** | 4.1 |
| **(c) Reconciliations of earnings used in calculating earnings per share** | | |
| *Basic earnings per share* | | |
| Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share | **11,595** | 10,044 |

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

| | Consolidated | |
|---|---|---|
| | **31 December 2008 Number** | 31 December 2007 Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **287,338,685** | 240,112,430 |
| Options | **2,925,000** | 6,085,880 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **290,263,685** | 246,198,310 |
| Shares on issue at 31 December 2008 | **293,493,801** | 284,204,464 |

*(i) 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.

**Devine Limited**
**Directors' declaration**
**31 December 2008**

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 19 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 2008 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

(b) there are reasonable 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 J Ridley

Chairman

D H T Devine

Managing Director

Brisbane
25 February 2009

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# Independent review report to the members of Devine Limited

## Scope

We have reviewed the accompanying half-year financial report of Devine Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

## 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 establishing 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 Interim and Other Financial Reports 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 2008 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* . 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 is not 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 2008 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*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane

25 February 2009