Devine Limited
ASX Preliminary final report

ABN 51 010 769 365

for the year ended 30 June 2006

Directors' Comments

Year Ended 30 June 2006

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30 August 2006

The Directors of Devine Limited announce an after tax profit of $18.870M for the year ended 30 June 2006. As required under the Corporations Law, this is the first full year result for the Company reported under the new Australian Equivalents to International Financial Reporting Standards (AIFRS) and which requires comparatives in relation to the 2004/05 year to be restated. These new accounting standards replaced the previous Australian Accounting Standards (AGAAP).

The $18.870M result for the year compares to a restated (under AIFRS) result of a loss of $2.733M for the 2004/05 year. The 2005/06 result was derived from increased revenue of $571.7M (last year $209.6M). This has resulted in Basic EPS of 14.4 cents for the year (restated 2005, a negative 2.3 cents per share).

As previously advised, the transition to these new accounting standards has had a material impact on the way that revenue, profits and shareholders funds are reported for Property Development Companies and, accordingly, on Devine Limited's results. Details of the changes required to revenue and profit recognition and the impact on the Consolidated Group's balance sheet resulting from the transition to AIFRS are set out in Notes 1 to 10 of the attached Appendix 4E.

Dividend

Directors have declared a fully franked **final dividend of 4.0 cents per share** (last year 4.0 cents) resulting in a full year dividend of 8.0 cents per share fully franked (last year 8.0 cents).

Results Summary

A summary of the 2005/06-year's results and related commentary follows:

$000's	Year Ended	
	June 2006	June 2005
Revenue	571,704	209,558
Operating Profit Before Tax	26,930	(4,092)
Net Profit After Tax Attributable to Shareholders	18,870	(2,733)
EPS Basic	14.4 cents	(2.3) cents
EPS Diluted	14.1 cents	(2.2) cents
NTA Basic	45.8 cents	37.6 cents
NTA Diluted	44.8 cents	36.7 cents
Final Dividend (Fully Franked)	4.0 cents	4.0 cents
Full Year Dividend (Fully Franked)	8.0 cents	8.0 cents

Housing Division

As widely reported throughout the year, the Housing market remains subdued however signs have emerged that first homebuyers are re-entering the market. Early indications are that when the dwelling commencements for the 2005/06 year are confirmed, they will be down 7% nationally. This follows a fall of 9% in the preceding 2004/05 year.

The rental market has become tighter in major population centres where growth in employment has been strong and this will provide opportunities for investors and is therefore expected to flow through to an increase in housing activity over the coming year. Lack of affordability however continues to be the major issue facing the Housing Industry and governments at both the State and Federal level are acutely aware that assistance is needed to allow First Homebuyers to purchase their first home.

The Company has continued with its strategy of acquiring land in all of the major markets in which it operates however, given the lead times involved in land development, the benefits of this strategy will take some time to flow to the bottom line. At 30 June 2006 developed lots and lots yet to be developed from broad acres that are either owned or under control, totaled 3,028. This reflects an increase of 61% over the equivalent number as at June 2005 and is in line with

the objective of increasing this number to around 5,000 lots owned or under control by June 2008. Land prices appear to have peaked in most markets but competition for key sites remains strong.

The Housing Division reported a profit before tax of $13.796M for the 2005/06 year. This compares to the restated results under AIFRS of $5.684M before tax for the 2004/05 year.

Property Development and Construction Divisions

It has been an active year for the Company's Property Development Division.

Highlights of the year and key events up to the date of this report are:

- The completion and settlement of the 214 unit "Casino Towers" project in the Brisbane CBD.
- The completion of the $338M mixed-use development "Victoria Point Docklands" in the Melbourne CBD.
- Completion in July 06 of the 401 unit "Festival Towers" project in the Brisbane CBD.
- Construction progressing ahead of schedule and below budget on the 416 unit "Charlotte Towers" project in the Brisbane CBD.
- The securing of development approval and the subsequent settlement on a 148-hectare site at Currumbin on the Gold Coast.
- Purchase of a mixed-use site at Hamilton, an inner suburb of Brisbane.
- The purchase and subsequent sale of a planned 25 level office tower in Ann Street in the Brisbane CBD.

There are a number of other opportunities that the Company is exploring and, if realised, these will underpin this Division's results over the next few years.

A number of units representing less than 15% of the total project remain unsold at **"Victoria Point Docklands"**. A comprehensive marketing plan has been devised to sell the remaining units and, given the level of interest shown over recent weeks, Directors are confident that the remaining inventory will be sold without any material impact on the project's overall profitability.

The $171M **“Festival Towers”** project was completed in the second week of July 06 and settlements commenced in early August. Settlements are progressing well and at the time of this report, 86% of the units had settled.

As mentioned earlier, construction of the $169M **“Charlotte Towers”** project is currently 35 days ahead of schedule with completion now forecast to occur in the latter part of the June 07 quarter. This is the first project to be completed by the Company’s Construction Division, Devine Constructions. Current indications are that the project will be delivered ahead of time and under the original budgeted costs.

The Company was successful in securing a satisfactory development approval in March 06 on its proposed lifestyle development at **Currumbin** on the Gold Coast. This approval was subsequently confirmed by the Queensland Planning and Environment Court following a challenge by a group opposing the development. Preliminary work is now progressing in readiness for a planned commencement on stage 1 of the project in the latter part of the 2006/07 year.

The development to be branded **“The Hideaway”** at Currumbin will be developed over several stages over the next 6 to 8 years and is forecast to have an end value of approximately $500M.

In May 06, Directors announced the acquisition of a mixed-use site for $19.5M at Hamilton, an inner suburb of Brisbane. This site forms part of a master planned precinct to be released by the state government over coming years and to be known as “North Shore”. Devine’s planned development to be known as “**Hamilton Harbour”** will comprise residential units, office and retail space and will have an end value of approximately $200M.

Work on the site is expected to commence following development approval, in late 2007. The development is immediately adjacent to Brisbane’s new Cruise Ship terminal which commenced operation this month.

Following the establishment of a Commercial Division at the start of 2006, in July of this year, Devine announced the acquisition of a site in **Ann Street** in the Brisbane CBD for a proposed 25 level office tower. The Company has subsequently entered into a contract to sell the yet to be completed development to an external party, Domaine Property Trust, for $120M which will provide Devine with satisfactory returns. Per the agreement, Domaine will settle the purchase of the site and fund the construction of the development.

Devine Constructions will build the office tower and commencement is expected to get under way in the March 07 quarter, following receipt of development approval.

The Property Development Division returned a profit before tax of $21.703M for the 2005/06 year which compares to the AIFRS restated result of a loss of $5.0M for the previous corresponding period.

Finance Division

The results for this Division are very much dependent on the number of loans that are processed on behalf of Devine's customers. The weaker housing market, as noted above, has contributed to a loss of $2.850M before tax being reported for the 2005/06 year.

Directors continue to closely monitor the performance of this Division and investigate a number of alternative strategies.

Funds Management Division

The Company recently announced its intention to launch its first residential land syndication which is expected to contribute external equity to assist with the acquisition and development of land projects. Devine will act as project manager and marketing agent for the developments and receive fees for undertaking these responsibilities as well as administration fees for managing the syndication. It is proposed that Devine will retain a minority equity interest in the structure.

It is the Company's intention to launch the first syndication in the March 07 quarter and it is proposed that further syndications will be issued for other future land acquisitions and developments including "The Hideaway" at Currumbin.

It is also intended that the Company, where appropriate, retain an interest in the commercial and retail components of future projects through its property trust structure. Further details will be provided to shareholders as these opportunities are formailsed.

Outlook

The mandatory adoption of the new accounting standards (AIFRS) will lead to volatility in future reported earnings. This will principally arise in relation to the timing of recognition of revenue and profits on the Company's large property development projects. That is, recognition when completion and settlement occurs rather than on a percentage complete basis as required under the previous accounting standards.

Completion and settlement of the "Festival Towers" project will occur in the December 06 half-year and, as reported earlier, it is anticipated that the "Charlotte Towers" project will be completed with settlements commencing late in the June 07 quarter. These activities will underpin the profit contribution from the Property Development Division in the 2006/07 year.

The outlook for Housing remains uncertain but the strategy adopted by the Company to substantially increase its land development activities and to market developed land to other builders will, it is expected, result in earnings for the Housing Division at similar levels to the year just ended.

Overall, profit for the 2006/07 year is expected to exceed that of the 2005/06 year.

For further information contact:

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Company Secretary
Devine Limited
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Appendix 4E

Preliminary final report

Name of Entity

Devine Limited

ABN or equivalent company reference	Financial year ended ('current period')	Previous Corresponding period
51 010 769 365	30 June 2006	30 June 2005

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

Revenues from continuing operations activities	up	172.8%	to	571,704
Profit (loss) from ordinary activities after tax attributable to members	loss reported for previous corresponding period			18,870
Net profit (loss) for the period attributable to members	loss reported for previous corresponding period			18,870

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 October 2006

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

The final dividend of 4 cents per ordinary share has been declared post 30 June 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 30 June 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	3 November 2006
Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	18 October 2006
If it is a final dividend, has it been declared?	Yes

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 or distribution plans shown below are in operation.

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

The last date(s) for receipt of election notices for the dividend or distribution plans	**18 October 2006**

Statement of Retained Earnings

	Current period - $A'000	Previous corresponding period - $A'000
Retained profits (accumulated losses) at the beginning of the financial period	9,882	22,232
Net profit (loss) attributable to members	18,870	(2,733)
Dividends and other equity distributions paid or payable	(10,405)	(9,617)
Retained profits (accumulated losses) at end of financial period	18,347	9,882

Net tangible Assets (NTA)

	Current period	Previous corresponding period
Basic NTA	45.8 ¢	37.6 ¢
Diluted NTA	44.8 ¢	36.7 ¢

Earnings per security (EPS)

	Current period	Previous corresponding period
Basic EPS	14.4 ¢	(2.3) ¢
Diluted EPS	14.1 ¢	(2.2) ¢

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.

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

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

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

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

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

X	The accounts have been audited.		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)*.

There are no audit qualifications expected

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

Sign here: .... Date: **30 August 2006**
(Company Secretary)

Print name: **Vivian N Grayson**

Financial Summary (Five Year Review)

$'000	2002	2003	2004	2005	2006
	AGAAP	**AGAAP**	**AGAAP**	**AIFRS**	**AIFRS**
Revenues from ordinary activities	379,491	339,983	376,581	209,558	571,704
Profit/(Loss) from ordinary activities before Interest & Tax	46,694	26,703	38,434	6,734	81,010
Profit/(Loss) from ordinary activities before Tax	39,111	19,430	22,486	(4,092)	26,930
Profit/(Loss) from ordinary activities after Tax	25,748	13,069	15,650	(2,733)	18,870
Net profit (loss) attributable to outside equity interests	(875)	(142)	-	-	-
Net profit (loss) attributable to members of Devine Ltd	26,623	13,211	15,650	(2,733)	18,870
Dividends declared, paid or provided for	8,094	7,970 ***	8,645 ***	9,617 ***	10,405 ***
Retained earnings	29,888	39,995	47,365	9,882	18,347
Total assets	177,311	222,435	320,367	659,571	685,336
Net assets/shareholders equity	56,274 **	66,614 **	82,167	50,613	65,553
Net tangible assets	52,958 **	63,298 **	78,851	47,297	62,237
Number of ordinary shares on issue ('000)	103,508	103,508	116,208	125,676	135,952
Number of preference shares on issue ('000)	853	853	-	-	-
Net tangible assets per ordinary share (cents)	51.2 **	61.2 **	67.9	37.6	45.8
Earnings per ordinary share (cents)	24.3	12.8 *	14.0	(2.3)	14.4
Dividends per ordinary share (cents)					
Interim	3.0	3.0	4.0	4.0	4.0
Final	4.0	4.0	4.0	4.0	4.0
Total	7.0	7.0	8.0	8.0	8.0
Closing share price (cents)	53.0	40.5	66.0	59.5	89.0
Return on shareholders equity (%)	47.3	19.8	19.1	(5.4)	28.8
Dividend yield % (before grossed up effect of franking credits)	13.2	17.3	12.1	13.4	9.0
Price/earnings ratio (times)	2.2	3.2	4.7	N/A	6.2

* Based on weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element. This reflects the change in treatment as a result of the amendment to AASB1027. The comparatives have not been amended to reflect this change in standard.

** Reflects the reclassification of the share capital relating to the Company's converting preference shares as debt rather than equity as required by Accounting Standard AASB 1033

*** In accordance with AASB 1044 and AASB 137, the final dividend declared in respect of the years ended June 2003, June 2004, June 2005 and June 2006 have not been provided for in the accounts as at June of those years.

AGAAP - Australian Generally Accepted Accounting Principles

AIFRS - Australian Equivalent International Financial Reporting Standards

Devine Limited
Director's Report
For the year ended 30 June 2006

Directors

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

D J Ridley, (Chairman)

D H T Devine, (Managing Director)

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

R W Parris, FAICD

K M Woodley, (Marketing Director)

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

Hon.T M Mackenroth*

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

Chief Financial Officer / Company Secretary

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

Review of Results of Operations

Refer Directors' Comments attached.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000 under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

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

D J Ridley
Chairman

D H T Devine
Managing Director

Brisbane, 30 August 2006

Devine Limited
Income statement
For the year ended 30 June 2006

		Consolidated	
		2006	2005
	Notes	**$'000**	$'000
Revenue from sale of goods	3	**571,704**	209,558
Cost of properties sold	5	**(404,620)**	(148,154)
Other income	4	**366**	3,917
Expenses, excluding finance costs	5	**(86,440)**	(58,587)
Finance costs	5	**(54,080)**	(10,826)
Profit before income tax		**26,930**	(4,092)
Income tax (expense) / benefit		**(8,060)**	1,359
Profit from continuing operations		**18,870**	(2,733)
Profit attributable to members of Devine Limited		**18,870**	(2,733)
Earnings per share from profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	9	**14.4**	(2.3)
Diluted earnings per share	9	**14.1**	(2.2)

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

Devine Limited
Balance sheet
As at 30 June 2006

	Notes	**Consolidated 2006 $'000**	2005 $'000
ASSETS			
Current assets			
Cash and cash equivalents **(a)**		**10,687**	-
Trade and other receivables		**12,299**	13,870
Inventories		**282,739**	379,856
Other assets		**5,430**	7,463
Total current assets		**311,155**	401,189
Non-current assets			
Receivables		**247,035**	165,472
Inventories		**117,968**	82,225
Property, plant and equipment		**3,288**	4,558
Intangible assets		**3,316**	3,316
Other non-current assets		**2,574**	2,811
Total non-current assets		**374,181**	258,382
Total assets		**685,336**	659,571
LIABILITIES			
Current liabilities			
Trade and other payables		**42,369**	65,867
Interest bearing liabilities **(a)**		**270,428**	303,787
Provisions		**4,474**	3,515
Non-interest bearing liabilities		**11,577**	-
Current tax liabilities		**1,098**	-
Total current liabilities		**329,946**	373,169
Non-current liabilities			
Interest bearing liabilities		**268,467**	233,277
Non-interest bearing liabilities		**12,500**	-
Deferred tax liabilities		**8,542**	2,200
Provisions		**328**	312
Total non-current liabilities		**289,837**	235,789
Total liabilities		**619,783**	608,958
Net assets		**65,553**	50,613
EQUITY			
Contributed equity		**47,206**	40,731
Retained profits		**18,347**	9,882
Total equity		**65,553**	50,613

(a) - included in the balance of "Cash and cash equivalents" is an amount of $8,373,153 (2005: $8,181,978 shown in "Current interest bearing liabilities") that is not available to the Group to meet working capital requirements, but rather is quarantined to meet future interest payment obligations of the company's First Permanent mortgage trust liabilities.

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

Devine Limited
Statement of changes in equity
For the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	2005 $'000
Total equity at the beginning of the financial year		**50,613**	57,034
Add			
Profit for the year		**18,870**	(2,733)
Contributions of equity, net of transaction costs		**6,394**	5,799
Dividends provided for or paid	6	**(10,405)**	(9,617)
Executive share options		**81**	130
Total equity at the end of the financial year		**65,553**	50,613

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

Devine Limited
Cash flow statement
For the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	2005 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**523,400**	398,412
Payments to suppliers and employees (inclusive of goods and services tax) **(a)**		**(401,604)**	(555,484)
Interest received **(b)**		**18,437**	8,841
Interest paid **(b)**		**(50,291)**	(48,373)
Income taxes paid		**(619)**	486
Net cash (outflow) inflow from operating activities		**89,323**	(196,118)
Cash flows from investing activities			
Payments for property, plant and equipment		**(626)**	(839)
Proceeds from sale of property, plant and equipment		**-**	3,702
Net cash (outflow) inflow from investing activities		**(626)**	2,863
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**4,216**	5,106
Proceeds from borrowings **(a)**		**331,748**	201,144
Repayment of borrowings		**(405,210)**	(11,266)
Finance lease principal repayments		**-**	(6)
Dividends paid to company's shareholders	6	**(8,146)**	(8,795)
Net cash inflow (outflow) from financing activities		**(77,392)**	186,183
Net increase (decrease) in cash and cash equivalents		**11,305**	(7,072)
Cash and cash equivalents at the beginning of the financial year		**(618)**	6,454
Cash and cash equivalents at end of year (c)		**10,687**	(618)

(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".

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

(c) - included in the balances shown as "Cash and cash equivalents" is an amount of $8,373,153 that is not available to the Group to meet working capital requirements, but rather is quarantined to meet future interest payment obligations of the company's First Permanent mortgage trust liabilities.

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

1 Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Statement of Compliance
Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
These financial statements are the first Devine Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Devine Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Devine Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the company's equity and its net income are given in note 10.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Devine Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Devine Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Devine Limited.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Joint ventures
Joint venture operations
The proportionate interests in the assets, liabilities, revenues and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

(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 and duties and taxes paid. Revenue is recognised for the major business activities as follows:

1 Summary of significant accounting policies (continued)

(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) Finance Revenue
Interest Revenue

Accounting policies applicable for the year ending 30 June 2006

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

As a result of the effective interest method applicable from 1 July 2005 interest revenue now includes loan application revenue offset by commission and agent direct costs and securitisation establishment costs which are deducted from interest revenue.

Accounting policies applicable for the year ending 30 June 2005

Interest income is reflected in the profit and loss account when earned on an accrual basis.

Fees and Commissions

Accounting policies applicable for the year ending 30 June 2006

Fees and commissions that form an integral part of interest are classified as part of interest revenue. Revenue is recognised as interest accrues using the effective interest method.

Accounting policies applicable for the year ending 30 June 2005

Fees are recognised as revenues or expenses when earned except for fees charged on the early termination of a fixed rate loan. These fees are known as break fees and are taken to income over the remaining fixed rate period.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1 Summary of significant accounting policies (continued)

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

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(f) Inventories

(i) Construction work in progress
Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

In accordance with AIFRS pre-commitment costs are expensed when incurred and only capitalised from the point at which a project receives both board approval and development approval (DA).

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the company's construction activities in general.

(ii) Land held for resale/capitalisation of borrowing costs
Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(g) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(h) Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when recognised by the lender, is recognised on an accruals basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(j) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Machinery	10-15 years
- Vehicles	3-5 years
- Furniture, fittings and equipment	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(u)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(k) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(l) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and provisions for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

1 Summary of significant accounting policies (continued)

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Devine Limited Employee Option Plan and an Employee Share Scheme.

Share options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Devine Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes or Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(m) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

1 Summary of significant accounting policies (continued)

Tax consolidation legislation
Devine Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, Devine Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own. This is in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

(n) Intangible assets - brand name

The initial cost of the brand name "Devine" was generated by virtue of the business combinations created on the occasion of the float of Devine Limited. Directors consider it to be an "Indefinite Lived" asset as defined by AASB 138 and therefore not subject to future amortisation. Directors undertake testing for impairment on at least an annual basis to determine the appropriate carrying value.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1 Summary of significant accounting policies (continued)

(s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Loan Provisioning

The Group has elected to apply the option available under AASB 1 of adopting AASB 139 from 1 July 2005. Loan impairment will only be recognised when objective evidence is available that a loss event has occurred and as a consequence it is not likely that all amounts owed will be received. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Specific Provision

A specific provision is raised for losses that may be incurred for loans that are known to be impaired.

Collective Provision

Loans that are not known to be impaired are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. From the analysis performed, the provision has been consistent with the historical level of bad debts experienced in those portfolios.

Impairment Losses

Impairment losses are written off in the year in which they are recognised. If a provision for impairment has been recognised in relation to the loan, write-offs are made against the provision. If no provision for impairment has previously been recognised, write-offs for impairment losses are recognised as expenses in the profit before tax.

Accounting policies applicable for the year ending 30 June 2005

Impairment losses are written off in the year in which they are recognised. If a provision for impairment has been recognised in relation to a loan, write-offs for impairment losses are made against the provision. If no provision for impairment has previously been recognised, write-offs for impairment losses are recognised as expenses in the profit before tax.

(v) 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

(w) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1 Summary of significant accounting policies (continued)

(x) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group has determined that there will be no material impact from these new standards.

(i) UIG 4 *Determining whether an Asset Contains a Lease*

(ii) UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

(iii) AASB 2005-9 *Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]*

(iv) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

(v) UIG 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

(vi) AASB 2005-6 *Amendments to Australian Accounting Standards [AASB 121]*

(y) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than associates, are brought to account at cost and dividend income is recognised in the income statement when receivable. The principal amounts of zero coupon bonds are calculated by discounting the cash flow associated with the ultimate redemption of the investment. The discount is amortised over the period to maturity. The discount rate is that implicit in the transaction. Transaction costs are excluded from the carrying amounts.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 is that fair value is the measurement basis with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below). Fair value is inclusive of transaction costs and changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to the following notes:

- Held-to-maturity investments
- Reserves and retained profits
- Explanation of transition to AIFRSs - note 10

From 1 July 2005
The company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

1 Summary of significant accounting policies (continued)

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Purchases and sales of investments are recognised on trade-date - the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(z) Derivatives

From 1 July 2004 to 30 June 2005
The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The company has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives are accounted for under previous AGAAP.

Interest rate swaps
The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

Where an interest rate swap is terminated early and the underlying hedged transaction is:

(a) still expected to occur as designated: the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised
(b) no longer expected to occur as designated: the gains or losses arising on the swap upon its early termination are recognised in the income statement at the date of termination.

1 Summary of significant accounting policies (continued)

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

For further information concerning the adjustments on transition date reference should be made to:

- Reserves and retained profits
- Explanation of transition to AIFRSs - note 10

From 1 July 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(aa) Comparatives

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

2 Critical accounting estimates and judgements

Estimates and judgements relating to current and likely future operational activities are necessarily made from time to time. They are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed, at the time, to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the reported revenues and expenses and/or carrying amounts of assets and liabilities within the next financial year are, where appropriate, disclosed.

3 Revenue

	Consolidated	
	2006	2005
	$'000	$'000
From continuing operations		
Revenue from operating activities		
Revenue from sale of properties	**550,816**	197,837
Interest from loan origination & securitisation	**18,096**	8,297
Other revenue from loan origination & securitisation	**2,792**	3,424
	571,704	209,558

4 Other income

	Consolidated	
	2006	2005
	$'000	$'000
Proceeds on sale of other non-current assets	**-**	3,365
Interest received - other persons/bodies corporate	**341**	543
Rent received - other persons/bodies corporate	**25**	9
	366	3,917

5 Expenses

	Consolidated	
	2006	2005
	$'000	$'000
Expenses, excluding finance costs, included in the income statement classified by function		
Cost of properties sold	**404,620**	148,154
Other expenses	**86,440**	58,587
	491,060	206,741
Classification of these expenses by function		
Cost of properties sold	**404,620**	148,154
Other expenses from ordinary activities		
Write down of land stocks & other inventory	**-**	(1,274)
Marketing *	**46,173**	23,269
Land holding expenses	**1,288**	1,009
Occupancy	**2,947**	2,662
Employee expenses	**26,581**	21,436
Administration	**8,567**	7,378
Cost of sale of non-current assets	**-**	2,678
Other	**884**	1,429
	491,060	206,741

	Consolidated	
	2006	2005
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**-**	81
Plant and equipment	**935**	1,158
Display home centres	**279**	84
	1,214	1,323
Amortisation		
Plant and equipment under finance leases	**-**	5
	-	5
Reversal of provision against Display Homes (due to increase in market value)	**-**	(832)
(Reversal)/Write down of land stocks & other inventory	**-**	(442)
	-	(1,274)
Finance costs		
Interest and finance charges paid/payable *	**54,080**	10,825
Finance charges - lease liability	**-**	1
	54,080	10,826

5 Expenses (continued)

	Consolidated	
	2006	2005
	$'000	$'000
Bad and doubtful debt expense	**-**	339
Operating lease rental	**580**	657
	580	996
Net (profit)/loss on disposal of property, plant & equipment	**-**	(687)
	-	(687)

* Finance and marketing 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.

* Finance costs also includes $14,440,967 interest expense from loan origination & securitisation

6 Dividends

	Consolidated	
	2006	2005
	$'000	$'000
(a) Ordinary shares		
Previous year final dividend		
Fully franked based on tax paid @ 30% - 4 cents (2005: 4 cents) per share	**5,035**	4,648
Interim dividend paid		
Fully franked based on tax paid @ 30% - 4 cents (2005: 4 cents) per share	**5,370**	4,969
Total dividends provided for or paid	**10,405**	9,617
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	**8,146**	8,795
Satisfied by issue of shares	**2,259**	822
	10,405	9,617

	Consolidated	
	2006	2005
	$'000	$'000
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final 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 3rd November 2006 out of retained profits at 30 June 2006, but not recognised as a liability at year end, is	**5,438**	5,027

(c) Franked dividends

The franked portion of the final dividend recommended after 30 June 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 2006.

	Consolidated	
	2006	2005
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 - 30%)	**4,757**	7,499

6 Dividends (continued)

The above amounts represent the balance of the franking account as at the end of the financial 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 Contingencies

(a) Contingent liabilities

The company had contingent liabilities at 30 June 2006 in respect of:

Guarantees
The parent entity and controlled entities have entered into local authority and other performance guarantees totalling $4,770,723 at 30 June 2006 (2005: $5,375,587) relating to individual land developments and other aspects of the company's operations. The guarantees are secured by charges over the assets of the respective entities. No liabilities are expected to arise.

In addition, a performance guarantee totaling $200,000 at 30 June 2006 (2005: $18,200,000) 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. The remaining 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 $3,833,143 (2005: $3,818,181) into bank accounts subject to charges by agreement with the financial institutions which provide funding for mortgages under the "Builder Pays Deposit" promotion. A further $5,127,120 (2005: $3,529,456) is invested in Trust structures associated with the company's loan origination and securitisation business, First Permanent Financial Services Pty Ltd. In addition, a performance guarantee totaling $1,500,000 (2005: $1,500,000) has been issued to one of the lending institutions. These funds are only available to meet costs associated with a loss on resale occurring as a result of buyer default on mortgages and repossessions. The consolidated entity's liability is limited to between 2% and 7%, of the original loan amount of the defaulting purchaser in each individual case and the amounts held in the bank accounts and performance guarantee in total. That is, the consolidated entity could not be liable for more than $10,460,263 as at 30 June 2006 (2005: $8,847,637). As at the 30 June 2006 a provision of $1,259,466 (2005: $1,129,291) has been raised on the basis of expected future costs.

The company has an interim funding facility for the provision of mortgage loans to its housing customers by its subsidiary First Permanent Financial Services Pty Ltd. A contingent liability exists to the extent of $1,500,000 (2005: $1,500,000) in relation to Devine Limited undertaking to meet the future working capital requirements of First Permanent Financial Services Pty Ltd.

Land Acquisition Commitments

As at 30 June 2006 the group had entered into land marketing agreements to acquire developers' land amounting to $21,865,400 (2005: $28,054,600). Of this amount, $2,991,900 related to land that had been sold but was not yet at unconditional contract status (2005: $6,479,400). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

Devine Limited
Notes to the preliminary consolidated financial statements
30 June 2006
(continued)

8 Segment information

(a) Primary reporting format - business segments

2006	Housing and land $'000	Property development $'000	Finance $'000	Corporate / other $'000	Total continuing operations $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Total sales revenue	221,156	329,504	20,888	156	571,704	-	571,704
Other revenue / income	87	2	-	277	366	-	366
Total segment revenue / income	221,243	329,506	20,888	433	572,070	-	572,070
Segment result	13,796	21,703	(2,850)	(5,719)	26,930	-	26,930
Profit before income tax							26,930
Income tax expense / benefit							(8,060)
Profit for the year							18,870
Segment assets	123,818	299,779	257,768	3,971	685,336	-	685,336
Unallocated assets							-
Total assets							685,336
Segment liabilities	74,159	253,727	253,983	37,914	619,783	-	619,783
Unallocated liabilities							-
Total liabilities							619,783
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	66	-	151	409	626	-	626
Depreciation and amortisation expense	637	55	84	438	1,214	-	1,214

2005	Housing and land $'000	Property development $'000	Finance $'000	Corporate / other $'000	Total continuing operations $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Total sales revenue	197,005	507	11,909	324	209,745	(186)	209,559
Other revenue / income	56	-	-	3,861	3,917	-	3,917
Total segment revenue / income	197,061	507	11,909	4,185	213,662	(186)	213,476
Segment result	5,684	(5,000)	(2,912)	(1,864)	(4,092)	-	(4,092)
Profit before income tax							(4,092)
Income tax expense / benefit							1,359
Profit for the year							(2,733)
Segment assets	96,979	389,311	164,413	17,651	668,354	(14,763)	653,591
Unallocated assets							5,980
Total assets							659,571
Segment liabilities	46,520	359,241	161,724	37,891	605,376	(2,399)	602,977
Unallocated liabilities							5,981
Total liabilities							608,958
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	541	110	58	130	839	-	839
Depreciation and amortisation expense	561	48	146	573	1,328	-	1,328

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 $1,267,330 (2005: $1,876,207); Property Development $34,684,713 (2005: $327,118); Finance $14,805,092 (2005: $7,174,549); and Corporate/Other $3,323,325 (2005: $1,447,243).

8 Segment information (continued)

(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.

9 Earnings per share

	Consolidated	
	2006 Cents	2005 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**14.4**	(2.3)
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**14.1**	(2.2)

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

	Consolidated	
	2006 $'000	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	**18,870**	(2,733)

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

	Consolidated	
	2006 Number	2005 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**131,047,463**	120,817,007
Options	**3,008,973**	3,175,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**134,056,436**	123,992,007

(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. In the prior year 200,000 options issued under the company's executive share option plan were exercised on 2 September 2005 and 200,000 ordinary shares were issued.

10 Explanation of transition to Australian equivalents to IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

	Consolidated
	30 June 2005 $'000
Total equity (AGAAP)	**94,604**
Profit recognition - major projects	**(42,922)**
Pre-commitment and other expenses	**(8,559)**
Revenue recognition-housing operations	**(99)**
Revenue recognition- land development	**(11,138)**
Tax effect of AIFRS adjustments	**18,727**
Derecognition of brand name	**-**
Total equity (AIFRS)	**50,613**

(2) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS) at 1 July 2004

	Consolidated
	1 July 2004 $'000
Total equity (AGAAP)	**82,167**
Profit recognition - major projects	**(21,136)**
Pre-commitment and other expenses	**(7,309)**
Revenue recognition-housing operations	**(552)**
Revenue recognition- land development	**(6,843)**
Tax effect of AIFRS adjustments	**10,707**
Derecognition of brand name	**-**
Total equity (AIFRS)	**57,034**

(3) Reconciliation of profit for the year ended 30 June 2005

	Consolidated
	2005 $'000
Profit from ordinary activities after related income tax expense (AGAAP)	**16,125**
Profit recognition - major projects	**(21,786)**
Pre-commitment and other expenses	**(1,250)**
Revenue recognition-housing operations	**453**
Revenue recognition- land development	**(4,295)**
Tax effect of AIFRS adjustments	**8,020**
Profit from ordinary activities after related income tax expense (AIFRS)	**(2,733)**

(4) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

10 Explanation of transition to Australian equivalents to IFRS (continued)

(5) Notes to the reconciliations

(a) Profit recognition - major projects

Profits declared under AGAAP in relation to major projects including Casino Towers, Festival Towers, Charlotte Towers and Victoria Point Docklands, have been reversed for prior years (2005 and 2004) as a result of changes to the way revenue, marketing costs, and borrowing costs are recognised under AIFRS. As a result of the completion and settlement of Casino Towers during the 2006 year, profits reversed on this project, (and included in the adjustments above), have been recognised in the 2006 accounts.

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

(ii) Treatment of marketing costs
Under AGAAP, advertising and promotional costs associated with the company's large property development projects were not expensed until recognition of revenue occurred. Under AIFRS, they are required to be expensed in the period in which they are incurred.

(iii) Treatment of borrowing costs
There is no effect on the company.

(b) Pre-commitment costs

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

(c) Revenue recognition - housing operations

Under AGAAP, revenue from housing operations under a single house and land contract for the construction of the house was brought to account on a percentage complete basis. Under AIFRS, the revenue for both the house and the land is brought to account on settlement of the contract.

(d) Revenue recognition - land development

Under AGAAP, revenue from land sales was recognised when an unconditional sales contract had been secured and the land development plan sealed by the relevant local authority. Under AIFRS, revenue on all land sales is recognised on completion of the development and settlement of the contract of sale.

(e) Investment in controlled entities - mortgage loans

Mortgage loans are originated on behalf of Devine's customers by the company's subsidiary, First Permanent Financial Services Pty Ltd. These loans are held in trust arrangements and under AIFRS are now required to be recognised as both an asset and corresponding liability in the consolidated entity's balance sheet. There has been only a minimal impact on retained earnings.