



## **Directors' Comments**

### **Year Ended 30 June 2004**

26 August 2004

The Directors of Devine Limited are pleased to announce a profit after tax of \$15.650M for the year ended 30 June 2004. This represents an increase of 18.5% on the 2002/03 year and is consistent with the profit guidance given by Directors in November last year, and subsequently, wherein it was stated that the company was on track to meet its target of achieving a minimum increase in profits of 15% for 2003/04.

The operating profit before tax for the year was \$22.486M for the year (last year \$19.430M) and was derived from increased revenue, up 10.8% to \$376.6M. The after tax result represents basic Earnings Per Share (EPS) of 14.0 cents per share and a 19.0% return on shareholders equity at year-end. Net Tangible Asset (NTA) backing per share stood at 67.9 cents at year-end.

It should be noted that both the EPS and NTA have been calculated on an increased number of shares on issue. This resulted from the conversion of the company's Converting Preference Shares to Ordinary shares in October 2003. This conversion resulted in 12.7 million new ordinary shares being issued taking the total number of ordinary shares on issue to 116.2 million, an increase of 12% over the previous year.

Directors have declared a fully franked final dividend of 4.0 cents per share in relation to the company's ordinary shares (last year 4.0 cents) This takes the full year dividend to 8.0 cents (last year 7.0 cents).

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

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	<b>Year Ended</b>	
	<b>June 2004</b>	<b>June 2003</b>
	<b><u>\$000's</u></b>	<b><u>\$000's</u></b>
Revenue	376,581	339,983
Operating Profit before Tax	22,486	19,430
Operating Profit After Tax	15,650	13,069
Profit (Loss) Outside Equity Interest	-	(142)
Net Profit Attributable to Shareholders	15,650	13,211
EPS (Basic)	14.0 cents	12.8 cents
EPS (Diluted)	13.3 cents	11.1 cents
NTA per Share (Basic)	67.9 cents	61.2 cents
NTA per Share (Diluted)	66.1 cents	56.9 cents
Final Dividend – Ordinary Shares (fully franked)	4.0 cents	4.0 cents
Full Year Dividend – Ordinary Shares (fully franked)	8.0 cents	7.0 cents

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## **Market Conditions**

As predicted, the housing market remained strong over the 2003/04 year with total dwelling commencements expected to be around 171,600 for the year. This compares to 169,945 for the previous year and confirms the positive impact that overseas migration and the changing demographics in Australia are having on the market. Respected market forecasters, BIS Shrapnel, are forecasting total dwelling commencements to remain at the same level of around 170,000 for the 2004/05 year with declines in NSW and Victoria and a projected rise in Queensland.

Land availability and pricing remains a major constraint, particularly in southeast Queensland, and is having a major adverse impact on housing affordability. This is necessitating a move to smaller lot sizes and the design of more cost efficient house designs. Extensive work is currently being undertaken by Devine in this regard.

A recent independent study carried out in relation to the inner city residential unit market in Brisbane confirms that forward supply is limited and that current and expected demand should easily absorb the planned new projects. This view is supported by the company's recent experience in relation to the marketing of the proposed "Charlotte Towers" project as detailed later in this report.

## Housing Division

The Housing Division experienced a severe shortage of developed land in the second half of the year, particularly in Queensland, and this restricted marketing opportunities and constrained house commencements. Also, the strong housing market conditions in south-east Queensland combined with labour shortages to put pressure on housing margins in this market. These factors resulted in a 10% decline in revenues and a corresponding 17% fall in profit before tax to \$18.081M in the 2003/04 year when compared to the previous period.

During the year, the company made significant investments in acquiring and securing new land for development in both Queensland and Victoria. This is part of a broader strategy which will see the company being less reliant on other land developers for developed land stocks in the future and will also result in enhanced returns flowing to the Housing Division.

The company's orderly exit from the NSW market saw it complete all work that was in the system at the start of the year and meet its obligations to past and current customers in relation to maintenance and warranty work. The sale of land and other inventory held in NSW during the course of the year resulted in good profits being generated.

At the time of this report, only sundry lots remain unsold and we are confident that these will be sold at a profit over coming months. Based on the results achieved and the current state of the first homebuyer market in this state, the decision to withdraw from this market has proved to be the right one for the company.

## Property Development Division

This Division reported a pre-tax profit of \$6.581M for the year. This compares to the loss recorded in the 2002/03 year which resulted from the exit from "The Georgian" project in November 2002. The current year's result was struck on turnover of \$140.4M (last year \$76.8M).

The formal launch of the "**Charlotte Towers**" project occurred in February 2004 and together with sales made prior to the official launch, 353 of the 416 units have been sold with 296 of these being unconditional contract status with 10% deposit paid.

The significant increase in high-rise construction activity in the Brisbane CBD has resulted in cost pressures for both labour and materials flowing on to increases in prices being quoted by large building contractors. With the positive sales results achieved to date, the company's attention is now focused on securing a build price that will deliver acceptable margins on the project.

Construction on the 214 unit \$91M "**Casino Towers**" project in the Brisbane CBD which commenced in December 2002 continues to be behind schedule. Completion is now forecast to be in April 2005. Despite these delays, margins on the project are protected by the contractual arrangements entered into with the building contractor. Only one unit remains unsold.

The 401 unit, \$162M "**Festival Towers**" project is proceeding well with construction having commenced in January 2004. Completion is forecast to occur in January 2006. With marketing efforts focusing on the "Charlotte Towers" project, 33 units remain to be sold and 366 units are at unconditional contract status with 10% deposit paid.

The company's largest development, the "**Victoria Point Docklands**" project in Melbourne is on schedule to be completed by March 2006 with the stand alone seven storey Commercial Building and Serviced Apartments stages completing in the December 05 quarter.

At the time of this report, 426 (95%) of the 447 residential units are sold and unconditional with a 10% deposit paid. Similarly, 104 of the project's 105 serviced apartments are sold and unconditional with a 10% deposit held. All of the retail and commercial space is sold and unconditional.

**Other highlights** of the year were:

- the completion and settlement of all of the 221 units in the "River City" project in the Brisbane CBD. The predicted strong demand for CBD rental accommodation was confirmed with all available units in the project having been let within six weeks of being placed on the market.
- the conditional purchase of a prime residential and golf course development site at Currumbin on the Gold Coast. This \$27M acquisition is subject to Devine securing a satisfactory development approval for the site from the Gold Coast City Council. With the detailed planning that has been put into the development to date, the low density proposed and the attention given to environmental concerns, the company is anticipating a positive outcome in relation to this potential major future development.
- Devine being short listed as one of three developers invited by the Queensland Government to tender for the building of a Tennis Centre on riverfront land owned by the government at Tennyson in Brisbane. A sizable portion of this land will be available for residential development.

## Finance Division

The First Permanent Home Loans Division continues to play an important role in providing an alternative source of financing for Devine's home buying customers.

The loss of \$1.85M reported for the year was in line with the loss for the 2002/03 year and reflects some costs incurred in the development and initial marketing of a new loan product, the "Establishment Loan". This loan product is being marketed external to Devine's customers. Market research carried out on the loan product was very positive. If successful, this new initiative should contribute meaningful income in future years.

As previously forecast, the securitisation of a new pool of mortgage-backed loans valued at \$85M occurred in March 2004.

## Future Outlook

Despite there being recent evidence of a softening in market conditions, the outlook for housing remains positive and, provided the forecast increases in interest rates are modest over the next economic cycle, the Housing Division should underpin the company's results in the medium term.

The company is fortunate in having a number of quality, large residential projects with a high level of presales under construction. The profits to be generated by these projects will make a material contribution to the company's results over the next two years and are largely "locked in".

The significant escalation in construction costs experienced in Brisbane over the last year presents some challenges in preserving acceptable margins and securing finance in relation to the company's future projects.

Delays in accessing developed land in the housing business will continue in the December 04 half and will result in lower profit for that period compared with the corresponding period to December 03. As land comes on stream later this calendar year and with the expected commencement of the "Charlotte Towers" project in December 04/January 05, profits are forecast to improve in the June 05 half and finish ahead of the 2003/04 year.

### ***For further information contact:***

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

## Appendix 4E

### Preliminary final report

Name of Entity

**Devine Limited**

ABN or equivalent company  
reference

**51 010 769 365**

Financial year ended  
(current period)

**30 June 2004**

Previous Corresponding period

**30 June 2003**

#### Results for announcement to the market

\$A'000

Revenues from ordinary activities	up	<b>10.8%</b>	to	<b>376,581</b>
Profit (loss) from ordinary activities after tax attributable to members	up	<b>18.5%</b>	to	<b>15,650</b>
Net profit (loss) for the period attributable to members	up	<b>18.5%</b>	to	<b>15,650</b>

#### Dividends

	Amount per security	Franked amount per security
Final dividend	<b>4¢</b>	<b>4¢</b>
Interim dividend	<b>4¢</b>	<b>4¢</b>

Record date for determining entitlements to the dividend.

**22 October 2004**

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 2004 and, therefore, in accordance with the adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", no provision has been recognised in the Statement of Financial Position as at 30 June 2004.**

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

[Refer Attached](#)

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

Date the dividend (distribution) is payable

**5 November 2004**

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 CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)

**22 October 2004**

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
<b>Final dividend:</b>	Current year	4 ¢	4 ¢	0 ¢
	Previous year	4 ¢	4 ¢	0 ¢
<b>Interim dividend:</b>	Current year	4 ¢	4 ¢	0 ¢
	Previous year	3 ¢	3 ¢	0 ¢

The dividend or distribution plans shown below are in operation.

**The Converting Preference Shares converted to Ordinary shares on 31 October 2003. Therefore, the payment of 42.5 cents per share on these preference shares paid prior to conversion has been disclosed as interest expense in accordance with the requirements of AASB 1033.**

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

N/A

### Statement of Retained Earnings

	Current period - \$A'000	Previous corresponding period - \$A'000
Retained profits (accumulated losses) at the beginning of the financial period	39,995	29,888
Net profit (loss) attributable to members	15,650	13,211
Adjustment arising from revised accounting standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (refer note below)	-	4,140
Dividends and other equity distributions paid or payable (refer note below)	(8,280)	(7,244)
<b>Retained profits (accumulated losses) at end of financial period</b>	<b>47,365</b>	<b>39,995</b>

### Net tangible Assets (NTA)

	Current period	Previous corresponding period
Basic NTA	67.9 ¢	61.2 ¢
Diluted NTA	66.1 ¢	56.9 ¢

### Control gained over entities having material effect

Name of entity (or group of entities)

N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired

N/A

Date from which such profit has been calculated

N/A

Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

N/A

**In accordance with accounting standard AASB 1044, the amount of \$8,280,000 shown as "Dividends and other equity distributions paid or payable" does not include the final dividend for the year ended June 2004 and which has not been deducted from retained earnings. The adjustment figure of \$4,140,000 shown for the previous corresponding period reflects the transition to this accounting standard which became operative on 1 July 2002.**

**Loss of control of entities having material effect**

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

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

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

**Earnings per security (EPS)**

	Current period	Previous corresponding period
Basic EPS	14.0 ¢	12.8 ¢
Diluted EPS	13.3 ¢	11.1 ¢

**Compliance statement**

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

Identify other standards used

N/A
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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.

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:   
(Company Secretary)

Date: 26 August 2004

Print name: Vivian N Grayson

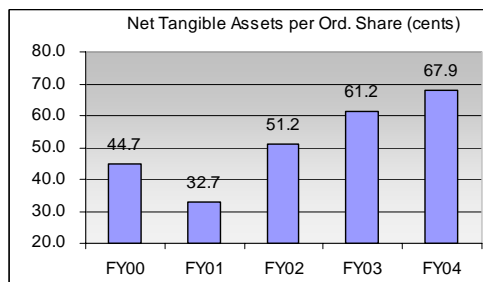
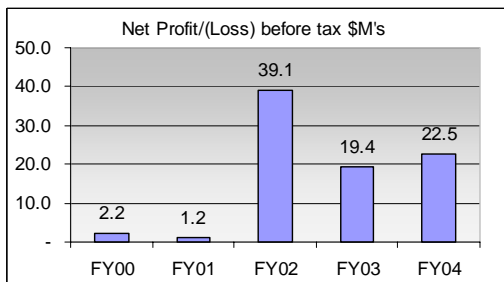
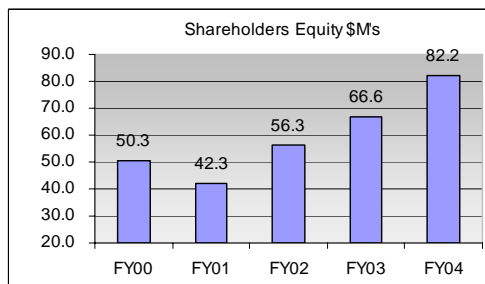
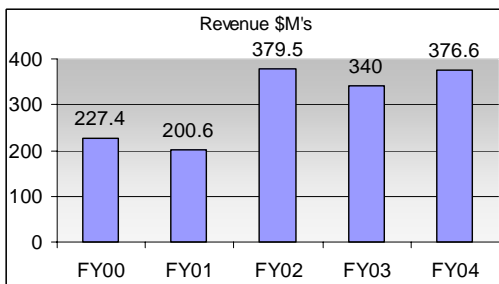
Financial Summary (Five Year Review)

\$'000	2000	2001	2002	2003	2004
Revenues from ordinary activities	227,444	200,637	379,491	339,983	376,581
Profit/(Loss) from ordinary activities before Interest & Tax	5,247	8,991	46,694	26,703	38,434
Profit/(Loss) from ordinary activities before Tax	2,206	1,189	39,111	19,430	22,486
Profit/(Loss) from ordinary activities after Tax	1,744	138	25,748	13,069	15,650
Net profit (loss) attributable to outside equity interests	92	(37)	(875)	(142)	-
Net profit (loss) attributable to members of Devine Ltd	1,652	175	26,623	13,211	15,650
Dividends declared, paid or provided for	1,121	1,038	8,094	7,970 ***	8,645 ***
Retained earnings	10,339	10,514	29,888	39,995	47,365
Total assets	114,354	126,683	177,311	222,435	320,367
Net assets/shareholders equity	50,309	42,265 **	56,274 **	66,614 **	82,197
Net tangible assets	46,993	38,195 **	52,958 **	63,298 **	78,881
Number of ordinary shares on issue ('000)	72,938	116,923	103,508	103,508	116,208
Number of preference shares on issue ('000)	1,500	853	853	853	-
Net tangible assets per ordinary share (cents)	44.7	32.7 **	51.2 **	61.2 **	67.9
Earnings per ordinary share (cents)	0.7	0.2	24.3	12.8 *	14.0
Dividends per ordinary share - fully franked (cents)					
Interim	-	-	3.0	3.0	4.0
Final	-	-	4.0	4.0	4.0
Total	-	-	7.0	7.0	8.0
Closing share price (cents)	19.0	21.0	53.0	40.5	66.0
Return on shareholders equity (%)	3.5	0.4	47.3	19.8	19.0
Dividend yield % (before grossed up effect of franking credits)	-	-	13.2	17.3	12.1
Price/ earnings ratio (times)	27.1	105.0	2.2	3.2	4.7

\* 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 in the year ended 30 June 2001 of the share capital relating to the companies Converting Preference Shares as Debt rather than Equity as required by Accounting Standard AASB1033.

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



**STATEMENT OF FINANCIAL PERFORMANCE**  
**YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED	
		2004	2003
		\$'000	\$'000
Revenues from ordinary activities	1	376,581	339,983
Expenses from ordinary activities, excluding borrowing costs expense	2(a)	338,147	313,280
Borrowing costs expense	2(c)	15,948	7,273
Profit (loss) from ordinary activities before income tax expense		22,486	19,430
Income tax expense relating to ordinary activities		(6,836)	(6,361)
Profit (loss) from ordinary activities after related income tax expense		15,650	13,069
Net profit (loss) attributable to outside equity interests		-	(142)
<b>Net profit (loss) attributable to members of Devine Limited</b>		<b>15,650</b>	<b>13,211</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Devine Ltd</b>		<b>15,650</b>	<b>13,211</b>
Basic earnings per share (cents per share)	3	14.0	12.8
Diluted earnings per share (cents per share)	3	13.3	11.1
Franked dividends per share (cents per share)	4	8.0	7.0

**STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2004**

	<b>CONSOLIDATED</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CURRENT ASSETS</b>		
Cash assets	-	376
Receivables	38,505	32,071
Inventories	90,763	93,612
Other assets	3,402	4,265
	<b>132,670</b>	<b>130,324</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	2,657	5,385
Investments	-	-
Inventories	168,818	65,531
Property, plant & equipment	9,855	11,772
Deferred tax assets	-	1,811
Intangible assets	3,316	3,316
Other assets	3,051	4,296
	<b>187,697</b>	<b>92,111</b>
	<b>320,367</b>	<b>222,435</b>
<b>CURRENT LIABILITIES</b>		
Payables	50,471	36,636
Interest bearing liabilities	66,173	69,431
Current tax liabilities	-	-
Provisions	3,143	4,131
	<b>119,787</b>	<b>110,198</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	103,869	36,186
Deferred tax liabilities	14,266	9,237
Provisions	248	200
	<b>118,383</b>	<b>45,623</b>
	<b>238,170</b>	<b>155,821</b>
	<b>82,197</b>	<b>66,614</b>
<b>SHAREHOLDERS' EQUITY</b>		
Contributed equity	34,832	26,619
Reserves	-	-
Retained profits	47,365	39,995
	<b>82,197</b>	<b>66,614</b>
Shareholders equity attributable to members of Devine Limited	<b>82,197</b>	<b>66,614</b>
Total outside equity interest in controlled entities	-	-
	<b>82,197</b>	<b>66,614</b>

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED	
		2004	2003
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		402,013	367,868
Payments to suppliers and employees (refer note below)		(443,785)	(421,505)
Goods and services tax paid		(3,984)	(818)
Interest received		569	539
Borrowing costs paid		(25,463)	(8,545)
Income tax (paid)/received		498	(9,350)
		<b>(70,152)</b>	<b>(71,811)</b>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (refer note below)</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(1,122)	(3,561)
Proceeds from sale of property, plant and equipment		19	2,775
Proceeds from sale of shares		30	-
Acquisition of controlled entity		-	(297)
		<b>(1,073)</b>	<b>(1,083)</b>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings - other (refer note below)		124,245	71,349
Repayment of borrowings - other		(48,721)	(6,484)
Finance lease principal repayments		(14)	(21)
Dividends paid	4	(8,280)	(7,245)
		<b>67,230</b>	<b>57,599</b>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
		<b>(3,995)</b>	<b>(15,295)</b>
NET INCREASE/(DECREASE) IN CASH HELD		<b>(3,995)</b>	<b>(15,295)</b>
Add opening cash brought forward		376	15,671
		<b>(3,619)</b>	<b>376</b>
<b>CLOSING CASH CARRIED FORWARD</b>			

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>

**1. REVENUE FROM ORDINARY ACTIVITIES**

**Revenue from operating activities**

Revenue from sale of properties	369,381	331,800
Revenue from loan origination & securitisation	6,593	4,778
<b>Total revenues from operating activities</b>	<b>375,974</b>	<b>336,578</b>

**Revenues from non-operating activities**

Interest received - other persons/bodies corporate	569	539
Rent received - other persons/bodies corporate	19	91
Proceeds on sale of other non-current assets	19	2,775

<b>Total revenues from outside the operating activities</b>	<b>607</b>	<b>3,405</b>
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<b>Total revenues from ordinary activities</b>	<b>376,581</b>	<b>339,983</b>
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**2. EXPENSES & LOSSES**

**(a) Expenses**

Cost of properties sold	273,111	243,669
Write down of land stocks & other inventory (refer note 2 (b) below)	1,532	9,030
Marketing expenses	32,801	28,266
Land holding expenses	736	1,025
Occupancy expenses	2,771	2,122
Employee expenses	18,787	18,520
Administration expenses	7,642	7,376
Write off of goodwill in relation to subsidiaries	-	672
Cost of sale of non-current assets	61	2,361
Other expenses from ordinary activities	706	239

<b>Total expenses from ordinary activities</b>	<b>338,147</b>	<b>313,280</b>
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**(b) Significant Items**

Profit from ordinary activities before income tax expense includes the following expenses whose disclosure is relevant in explaining the financial performance of the entity:

Write-off costs relating to "The Georgian" joint venture	-	7,349
Write down of land stocks & other inventory	1,532	1,681

The writedown of land stocks & other inventory for the year ended June 2004 relates to a writeoff of costs associated with the "Charlotte Towers" Project. This was due in the main to a material change in the design of the proposed project and the writeoff of acquisition and holding costs on the land.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 30 JUNE 2004**

	CONSOLIDATED	
	2004	2003
	\$'000	\$'000

**2. EXPENSES & LOSSES (Continued)**

**(c) Borrowing costs expense**

Interest & other borrowing expenses - other persons/bodies corporate	15,703	6,544
Finance charges - lease liability	2	4
Converting preference shares	243	725
	15,948	7,273

Converting Preference Share dividends of \$242,636 (2003: \$725,345) have been included as an interest expense in the Statement of Financial Performance up until the conversion date of 31 October 2003. This disclosure is due to the classification of Converting Preference Shares as debt prior to conversion, in accordance with AASB 1033 Financial Instruments.

The significant increase in Borrowing Costs during the year ended June 2004 compared to June 2003 relates to the increase in the number of large CBD projects under construction during the year.

**(d) Depreciation and amortisation**

Amortisation of non-current assets		
Plant and equipment under lease	11	17
Depreciation of non-current assets		
Buildings	96	177
Plant and equipment	1,286	972
Display home centres	39	185
	1,421	1,334
Net (profit)/loss on disposal of property, plant & equipment	42	(385)
Total (profit)/loss on sale of non-current assets	42	(385)

**(e) Other expenses**

Bad & doubtful debts	116	186
Rental	663	654

**3. EARNINGS PER SHARE**

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

	2004	2003
	\$'000	\$'000
Net Profit	15,650	13,069
<b>Adjustments:</b>		
Net loss attributable to outside equity interest	-	142
Earnings used in calculating basic earnings per share	15,650	13,211
Dividends paid on converting preference shares	244	725
Earnings used in calculating diluted earnings per share	15,894	13,936
	<b>Number of Shares</b>	<b>Number of Shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share *	111,940,079	103,507,838
Adjusted weighted average number of ordinary shares used in calculating dilutive earnings per share *	119,394,589	126,579,865

\* Consequent upon the conversion of the company's Converting Preference Shares on 31 October 2003, 12,700,412 new ordinary shares were issued increasing the total number of ordinary shares on issue to 116,208,250.

**Conversions, calls, subscriptions or issues since 30 June 2004**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 30 JUNE 2004**

	<b>CONSOLIDATED</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4. DIVIDENDS PAID OR PROVIDED FOR DURING THE YEAR</b>		
<b>Ordinary Shares:</b>		
Dividends paid		
- interim (fully franked) (4c per share) (2003: 3c)	4,140	3,105
Dividends proposed but not recognised as a liability		
- final (fully franked) (4c per share) (2003: 4c) (refer note *** page 4)	4,648	4,140
<p>Converting preference share dividends of \$242,636 (2003: \$725,345) have been included as an interest expense in the Statement of Financial Performance. The rate at which dividends have been franked is 30% (2003: 30%). Dividends proposed will be franked at a rate of 30% (2003: 30%)</p> <p>Dividends paid during the year as set out above differ to the cash payments shown in the statement of cash flows as follows:</p>		
* Previous year final dividend (4c per share) (2003: 4c)	4,140	4,140
* Interim dividend paid (4c per share) (2003: 3c)	4,140	3,105
* Converting preference share dividends paid	365	725
Dividends paid in cash	8,645	7,970
<p>The tax rate at which dividends have or will be franked is 30% (2003: 30%)</p> <p>The amount of franking credits available for the subsequent financial year are:</p>		
* franking account balance as at the end of the financial year	11,992	16,235
* franking credits that will reverse upon receipt of income tax refund due at the end of the financial year	(481)	(979)
Adjusted Franking Credit Balance Available	11,511	15,256

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 30 JUNE 2004**

**5. SEGMENT INFORMATION**

	HOUSING		PROPERTY DEVELOPMENT		FINANCE		CORPORATE/OTHER		ELIMINATIONS		CONSOLIDATED	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Business Segments:</b>												
Sales to customers outside the consolidated entity	228,961	254,970	140,420	76,830	6,593	4,778	-	-	-	-	375,974	336,578
Other Revenues from customers outside the consolidated entity	93	154	32	-	22	39	460	3,212	-	-	607	3,405
Intersegment revenues	-	-	-	-	239	367	-	-	(239)	(367)	-	-
Total segment revenue	<u>229,054</u>	<u>255,124</u>	<u>140,452</u>	<u>76,830</u>	<u>6,854</u>	<u>5,184</u>	<u>460</u>	<u>3,212</u>	<u>(239)</u>	<u>(367)</u>		
Unallocated Revenue											-	-
Total consolidated revenue											<u>376,581</u>	<u>339,983</u>
<b>Results</b>												
Segment Result	<u>18,081</u>	<u>21,710</u>	<u>6,581</u>	<u>(947)</u>	<u>(1,850)</u>	<u>(1,796)</u>	<u>(326)</u>	<u>838</u>	<u>-</u>	<u>-</u>	<u>22,486</u>	<u>19,805</u>
Unallocated expenses											-	375
Consolidated entity profit from ordinary activities before income tax expense											22,486	19,430
Income tax expense											<u>(6,836)</u>	<u>(6,361)</u>
Net Profit											<u>15,650</u>	<u>13,069</u>

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 \$915,718 (2003: \$565,672); Property Development \$14,381,837 (2003: \$5,657,110); Finance \$Nil (2003: \$343); and Corporate/Other \$650,383 (2003: \$1,049,875).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)  
YEAR ENDED 30 JUNE 2004

5. SEGMENT INFORMATION (Continued)

	HOUSING		PROPERTY DEVELOPMENT		FINANCE		CORPORATE/OTHER		ELIMINATIONS		CONSOLIDATED	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Assets</b>												
Segment assets	105,723	86,084	215,430	121,291	2,894	3,524	19,804	18,718	(28,973)	(14,607)	314,878	215,010
Unallocated assets											5,489	7,425
Total assets											320,367	222,435
<b>Liabilities</b>												
Segment liabilities	41,822	26,594	169,881	89,351	838	787	40,792	39,700	(20,652)	(8,036)	232,681	148,396
Unallocated liabilities											5,489	7,425
Total liabilities											238,170	155,821
<b>Other segment information:</b>												
Acquisition of non-current assets	823	1,797	16	86	80	277	203	1,698	-	-	1,122	3,858
Depreciation	520	393	33	45	209	176	659	720	-	-	1,421	1,334
Amortisation	-	-	-	-	-	1	11	16	-	-	11	17
Non cash expense other than depreciation or amortisation - goodwill writeoff	-	-	-	297	-	375	-	-	-	-	-	672

**Geographical Segments:**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 30 JUNE 2004**

**6. CONTINGENT LIABILITIES**

The parent entity and controlled entities have entered into local authority performance guarantees of \$21,510,735 at 30 June 2004 (2003: \$6,282,404) relating to individual estates, projects and other operations of the group. Of the \$15,228,331 increase over the balance at June 2003, \$15,100,000 relates to performance guarantees associated with the Victoria Point Docklands Project. The guarantees are secured by charges over the assets of the respective entities. No liabilities are expected to arise.

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. The controlled entities have also given a similar guarantee in the event that Devine Limited is wound up.

The company has deposited \$3,972,574 (2003: \$5,835,205) into bank accounts subject to charges by agreement with the financial institutions which provide funding for mortgages under the "Builder Pays Deposit" promotion. A further \$2,656,788 (2003: \$4,234,899) is invested in Trust structures associated with the company's loan origination and securitisation business, First Permanent Financial Services Pty Ltd. In addition a performance guarantee totalling \$1,500,000 (2003: \$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 \$8,129,362 as at 30 June 2004 (2003: \$11,570,105). As at the 30 June 2004 a provision of \$921,591 (2003: \$1,538,717) has been raised on the basis of expected future costs.

The company has secured a new interim funding facility for the provision of mortgage loans to its Housing customers by its subsidiary First Permanent Financial Services Pty Ltd. A contingent liability exists to the extent of \$4,000,000 (2003: \$2,500,000) in relation to Devine Limited undertaking to meet the future working capital requirements of First Permanent Financial Services Pty Ltd.

**7. LAND ACQUISITION COMMITMENTS**

As at 30 June 2004 the group had entered into land marketing option agreements to acquire developers' land amounting to \$57,433,000 (2003: \$28,845,000). At exercise date the consolidated entity is required to acquire land at a predetermined acquisition price.

**8. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For reporting periods beginning on or after 1 January 2005, Australian Companies must comply with Australian Equivalents to International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. Having a 30 June balance date, Devine Limited's (the company's) first fully IFRS compliant financial report will be for the year ended 30 June 2006.

The company has commenced transitioning its accounting policies and financial reporting from current Australian Standards to IFRS. The company has allocated internal resources and engaged expert consultants to assist in this process. The company's implementation project consists of three phases as described below:

**Assessment and Planning Phase**

The assessment and planning phase was commenced in March 2004 and is largely complete. Its objective was to produce a high level overview of the impacts on existing accounting and reporting policies and procedures of conversion to IFRS reporting. This phase included:

- \* high level identification of the key areas where differences in accounting policies and disclosures are expected to arise from the adoption of IFRS.
- \* a financial impact grading of each area as either high, medium or low.
- \* identification of new or additional information required to enable a quantitative assessment to be carried out of the likely impact of adoption.
- \* familiarisation of key accounting and other staff with IFRS and identification of appropriate ongoing training requirements.
- \* preparation of a plan to evaluate in detail the likely impact of IFRS and move to the implementation phase.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED 30 JUNE 2004**

**8. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**

**Evaluation Phase**

Following the above phase, individual project teams have been established to focus on the key impact areas identified. In addition, an IFRS steering committee has been formed to oversee and co-ordinate the work of these sub-groups. This phase has commenced and key outputs will be:

- \* collection of additional information required as identified in the assessment and planning phase.
- \* quantifying the potential financial impacts as at the transition date and for subsequent reporting periods.
- \* formulating revised accounting policies and procedures for compliance with IFRS requirements.
- \* designing accounting, IT and business processes to support IFRS reporting obligations.
- \* developing revised IFRS disclosures.
- \* undertaking appropriate training programs for key staff.

**Implementation Phase**

The implementation phase will bring together the information gathered from the evaluation phase and replace existing accounting policies, systems and procedures with those developed above. It will enable Devine to be fully compliant with the requirements of the transition to IFRS. It is expected that this phase will be substantially complete by 30 June 2005.

**Likely Impact**

Following the initial assessment phase as described above, the potential key implications of the conversion to IFRS on the consolidated entity and their initially assessed financial impact rating are expected to be as follows:

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

**Revenue Recognition (High)** - Revenue recognition in relation to the company's large CBD property developments may change under IFRS as IAS 18 which deals with revenue recognition in relation to large property developments and which became operative in March 2003 may be in conflict with the relevant international accounting standard. Until further guidance is provided by the Australian Accounting Standards Board, the company cannot reliably estimate the future financial effect of any potential change in accounting policy.

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

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

**Investment in Controlled Entities (Medium)** - Investments in controlled entities are carried at directors' valuations. A review of the carrying values as governed by IAS 28 and IAS 39 will need to be undertaken.

**Equity Based Remuneration (Medium)** - Equity based remuneration in the form of shares and options will be recognised as expenses in the statement of financial performance in the periods during which they are made. Reliable estimates of the future financial effects of this change in accounting policy is impractical as they are dependant on the company's share price and its volatility

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

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