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**Devine**  
GROUP

**2017 ANNUAL REPORT**



## **DIRECTORS**

D P Robinson - Chairman

G Sassine

S A Cooper

## **CHIEF EXECUTIVE OFFICER**

S A Cooper

## **CHIEF FINANCIAL OFFICER & COMPANY SECRETARY**

J S L Mackay

## **PRINCIPAL REGISTERED OFFICE IN AUSTRALIA**

Level 2, KSD1, 485 Kingsford Smith Drive

Hamilton Queensland 4007

07 3608 6300

## **SHARE REGISTER**

Computershare Investor Services Pty Limited

Level 1, 200 Mary Street

Brisbane Queensland 4000

1300 787 474

## **AUDITOR**

Ernst & Young

Level 51, 111 Eagle Street

Brisbane Queensland 4000

## **SOLICITORS**

McCullough Robertson

Level 11, 66 Eagle Street

Brisbane Queensland 4000

King & Wood Mallesons

Level 61, Governor Phillip Tower

1 Farrer Place

Sydney New South Wales 2000

## **PRINCIPAL BANKERS**

Australia and New Zealand Banking Group Limited

Level 19, 242 Pitt Street

Sydney New South Wales 2000

## **SECURITIES EXCHANGE LISTINGS**

Devine Limited shares are listed on the Australian

Securities Exchange

(ASX Code: DVN)

## **WEBSITES**

[www.devine.com.au](http://www.devine.com.au)

[www.devinegroup.com.au](http://www.devinegroup.com.au)



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Devine Limited's Corporate Governance Statement is available on our website, in the section titled 'Investor Relations'.  
([www.devinegroup.com.au/about/board-and-governance.aspx](http://www.devinegroup.com.au/about/board-and-governance.aspx))

### **ANNUAL GENERAL MEETING**

The annual general meeting of Devine Limited will be held at the offices of Devine Limited  
KSD1, Level 2, 485 Kingsford Smith Drive, Hamilton, Brisbane  
Time: 3.00 pm (Brisbane time).  
Date: Tuesday 22 May 2018

# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REVIEW

FY2017 has been an important year for Devine in stabilising its business and rationalising its business lines. We provide this overview of the year just passed and the outlook for 2018.

## FINANCIAL RESULTS FY2017

The 2017 financial result for Devine comprised a:

- > loss before tax from continuing operations of \$27.5 million;
- > total loss after tax of \$28.4 million.

The main contributors were: the performance of the Company's construction business, Devine Constructions; asset impairments; the completion of negotiations for a number of insurance and legal claims; and the land development business.

**Insurance and legal claims:** Devine Constructions continues to pursue a number of contractual and insurance claims for the reimbursement of costs arising from its residential construction contracts. This has resulted in the settlement of some of the claims and the return of cash to the business during 2017. Negotiations continue in respect of a number of substantial claims which are expected to result in either a commercial resolution during 2018 or, if a suitable commercial resolution cannot be concluded, the initiation of a full legal process.

The **land development business** has continued to return cash to the Company, even whilst experiencing weather-related delays. This return of cash has assisted with Devine's financial stability.

More broadly, the Company's operations and overheads have been rightsized for the business platform to improve cashflows, achieve efficiencies and continue the savings that this generates.

We continue to improve and streamline the business by ensuring our governance structures are efficient and our risk framework is strong.

## OPERATIONAL BUSINESS REVIEW

Some of the key highlights for the year included:

- > The improvement of the Stonehill project (Victoria) with the introduction of the new joint venture partner in August 2017, followed by the fast tracking of the land release programme to capitalise on the strong demand for residential land across greater Melbourne;
- > The repayment or refinancing of a number of the project debt facilities within the Group; and
- > The completion of all current residential construction projects by Devine Constructions with only one project remaining in final stages of its defects liability period.

## Devine Communities

Devine Communities continues to develop the **Stonehill** community at Bacchus Marsh in Victoria, recording increases in sales volumes and price growth. Since the introduction of the new joint venture partner in August 2017, Devine has accelerated the release of a further five stages of land at Stonehill, allowing the potential delivery of up to 250 residential lots during 2018. This will provide positive return and cash flow to the business in the year ahead.

Devine Communities has also accelerated its joint venture land development project **Newbridge**, at Wallan in Victoria. Having settled 59 residential lots in the final quarter of 2017, approximately 350 further lots will be brought to the market between May 2018 and April 2019, being some 3.5 years earlier than planned, taking advantage of the market conditions. Of these, almost 200 lots have been pre-sold. This will assist Devine to recycle capital from the project and provide a reduction in interest and holding costs.

Devine Communities' projects in South Australia (**Mawson Green** at Meadows and **Orleana Waters** at Evanston Gardens) continue to produce stable turnover with sales rates in line with the market in Adelaide.

Land sales in the Queensland markets of Gladstone and Townsville continue to experience low demand, however some lead indicators have predicted positive movement in 2018. Devine is ready to respond when demand returns.

Devine also continues to look for 'capital light' opportunities as part of its land development business.

## Mode Apartments

Sales at Devine's Mode Apartments joint venture at Newstead, Queensland, are progressing and of the 157 apartments, 140 have been sold, with 17 remaining for sale as at the date of this report. The project financing has been paid out with the resultant settlements providing a return of equity and profit to Devine.

## Funding

The Company's primary funding facility provided by ANZ for FY2017 was extended from 31 March 2017 to 31 March 2018. The company has arranged a new facility with ANZ of \$70 million for a term of two years, expiring in April 2020. This new facility allows the company to fully focus on its core business unit of land development. The facility is secured by a guarantee provided by Devine's majority shareholder, CIMIC Group Limited.



In addition, the Company has been able to review and reduce the level of securities (bank guarantees and insurance bonds) required to be provided as part of its business operations, with a reduction of \$8.9 million over the year to an amount of \$21.7 million as at 31 December 2017.

**BOARD AND MANAGEMENT**

The Board is comprised of David Robinson as Chairman, with George Sassine and Andrew Cooper as Directors. James Mackay continues as Chief Financial Officer and Company Secretary.

**OUTLOOK**

Devine will continue to resolve and finalise the legacy items, especially in the construction business. The Company is committed to executing its property development objectives, principally in the Communities land development business by accelerating its existing Victorian projects, and to further position itself for the purchase of new land development sites.

Additionally, the Company will continue to monitor the commercial opportunities within its portfolio which is centred around the KSD2 site in Brisbane.

The Company's financial outlook remains reliant on the successful resolution of the contractual and insurance claims arising from the Construction division.

We would like to take this opportunity to thank you, our shareholders, for your support and express our gratitude to our employees for their continued diligence and focus.

We look forward to updating you further at the Company's Annual General Meeting on Tuesday 22 May 2018.

Sincerely

**David Robinson**  
Chairman

**Andrew Cooper**  
CEO

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Company) consisting of Devine Limited (Devine) and the entities it controlled at the end of, or during, the year ended 31 December 2017.

## DIRECTORS

The following persons held office as Directors of Devine during the financial year and continue until the date of this report or unless otherwise stated.

D P Robinson  
(Chairman)

G Sassine

P J Dransfield  
(deceased 5 January 2017)

S A Cooper  
(appointed Executive  
Director 7 January 2017)

## CHIEF EXECUTIVE OFFICER

S A Cooper

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

J S L Mackay

## INFORMATION ON DIRECTORS

The Directors as at the date of this Directors' report are:

### D P Robinson – Chairman

#### Experience and expertise

Mr David Robinson has been a Non-executive Director of CIMIC Group Limited (formerly Leighton Holdings Limited) since 1990 and a Director of Devine Limited since 27 May 2015. Mr Robinson is a registered company auditor and tax agent and a chartered accountant and a partner of the firm ESV Accounting and Business Advisers in Sydney. He acts as an adviser to local and overseas companies with interests in Australia. He is also Non-executive Director of Catholic Schools NSW Limited and formerly a Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia. Mr Robinson was a Director of Leighton Properties Pty Ltd from 2000 to 2012.

#### Other current directorships (listed entities)

CIMIC Group Limited

#### Former directorships in last 3 years (listed entities)

None

#### Special responsibilities

Chairman of the Board

Chairman of the Audit Committee  
(appointed 22 February 2017)

#### Interests in shares and options

NIL

### G Sassine – Director

#### Experience and expertise

Mr George Sassine has more than 30 years' experience in the property, construction and development industry, including successfully managing multiple commercial and residential projects. During this time he has held a variety of positions within the CIMIC Group, including General Manager Corporate Advisory, and he has taken a leadership position on key projects delivered by CPB Contractors (formerly Leighton Contractors). Mr Sassine has an honours degree in building from the University of NSW.

Mr Sassine is currently the Executive General Manager Investments and Group Property for CIMIC Group and a Director of Leighton Properties Pty Limited.

#### Other current directorships (listed entities)

None

#### Former directorships in last 3 years (listed entities)

None

#### Special responsibilities

Member of the Audit Committee  
(appointed 22 February 2017)

#### Interests in shares and options

NIL



**S A Cooper – Executive Director**

(appointed 7 January 2017)

**Experience and expertise**

Mr Andrew Cooper was previously Executive Director and Chief Operating Officer of CIMIC Group's Leighton Properties Pty Ltd, responsible most recently for overseeing the company's residential developments and for its national residential strategy. In leadership positions with Leighton Properties, Mr Cooper has delivered residential and commercial projects with a total value of \$7 billion.

Mr Cooper has more than 34 years' experience in property development and construction. His previous roles include Leighton Properties' National Head of Operations and NSW State Manager. He has an honours degree in civil engineering from the University of NSW, together with qualifications in law and architecture from the University of Sydney, and is a graduate of the Australian Institute of Company Directors.

**Other current directorships  
(listed entities)**

None

**Former directorships in last  
3 years (listed entities)**

None

**Special responsibilities**

None

**Interests in shares and options**

NIL

# DIRECTORS' REPORT

## CONTINUED

### FORMER DIRECTORS

During the 2017 financial year, the following people ceased to hold office as Directors of the Company. For detailed information on these Directors refer to the 2016 Annual Report for the Group available on the Company's website [www.devinegroup.com.au](http://www.devinegroup.com.au).

Name	Period of Directorship during current financial year
P J Dransfield	1 January 2017 to 5 January 2017

### MEETINGS OF DIRECTORS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each Director of the Company during the financial year are:

	Full meetings of directors		Meetings of committees	
	A	B	Audit	
			A	B
D P Robinson	15	15	4	4
G Sassine	14	15	4	4
S A Cooper	13	14	**	**
P J Dransfield	***	***	***	***

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

\*\* = Not a member of the relevant Committee

\*\*\* = No meetings were held during the time the Director held office



## PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the Group consisted of:

- > Communities – Land development
- > Development – Apartment and mixed use projects; and
- > Construction – Residential apartment construction.

For the December 2016 statutory accounts the Group reported the closure of the detached housing business and the wind down of the medium density and wholesale housing businesses as discontinued.

The medium density and wholesale housing businesses have been wound down progressively from July 2016 to June 2017.

There have been no other significant changes in the nature of the activities of the Group during the year.

## DIVIDENDS

There were no dividends declared or paid to members during the 31 December 2017 financial year.

## OPERATING AND FINANCIAL REVIEW

### 1. About Devine

The Group was first established in 1983.

The Group's property experience extends across community development and creation, housing, apartment and mixed use projects.

With operations established throughout Queensland, Victoria and South Australia the Company has been responsible for providing homes and apartments for more than 27,000 Australian families since listing on the Australian Securities Exchange in 1993.

As at 31 December 2017, the Group's residential development pipeline included the equivalent of approximately 6,100 future allotments.

### 2. Financial results

The following is a summary of the results that were recorded for the financial year ended 31 December 2017:

- > Revenue from continuing operations of \$46.6m (compared to \$193.7m in 2016)
- > Loss from continuing operations before tax of \$27.5m (compared to a loss of \$38.3m in 2016)
- > Loss from discontinued operations before tax of \$0.9m (compared to a gain of \$1.9m in 2016)
- > Total loss before tax \$28.4m (compared to a loss of \$36.5m in 2016)
- > Debt of \$46.6m (compared to debt of \$17.3m as at 31 December 2016).
- > No dividend has been declared during the 12 month period to December 2017

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Revenue from continuing operations	46,646	193,670
Revenue from discontinued operations	3,830	33,382
	<b>50,476</b>	227,052
Loss before tax from continuing operations	<b>(27,497)</b>	(38,344)
(Loss)/profit before tax from discontinued operations	<b>(895)</b>	1,883
	<b>(28,392)</b>	(36,461)
Gearing	<b>20.6%</b>	6.4%
Net tangible assets - \$ per share	<b>\$0.90</b>	\$1.08
EPS - cents per share - continuing operations	<b>(17.3)c</b>	(24.7)c
EPS - cents per share	<b>(17.9)c</b>	(23.9)c

\* Impairments of \$6.1m are included in the 2017 loss before tax (compared to \$3.5m in 2016)

# DIRECTORS' REPORT

## CONTINUED

### 2. Financial results (continued)

#### Comments on operations and operating highlights

The following key trading statistics were achieved in the financial year ended 31 December 2017:

> Residential land sales:	361
> Residential land settlements:	209
> Apartment settlements:	112
> Apartment sales:	21

The 2017 results have been significantly impacted by losses realised in the completion of projects by the Company's construction business. As reported previously, these losses have been the result of trade procurement in a high demand residential construction market, and the challenging industrial relations environment in south-east Queensland. In addition, substantial production delays due to extended weather events within the land development business in Victoria have resulted in settlements being deferred from FY2017 into FY2018.

Key operating highlights for the period include:

- > The Stonehill Community project located at Bacchus Marsh Victoria benefited from the introduction of new joint venture, financing of all project facilities and allowed the project to take advantage of the strong residential market conditions in greater Melbourne. This has resulted in price growth, and improved returns combined with the acceleration of the construction of a number of stages. During FY2017, the Group achieved the:
  - Sale of 213 residential allotments and settlement of 31 residential allotments, and
  - Release of five new stages that will enable the delivery of up to 250 residential allotments during 2018.

- > For the Newbridge Joint Venture project at Wallan Victoria, construction was the primary focus with Stage 1 being completed in FY 2017. This enabled the completion and settlement of 59 residential allotments plus three multi-dwelling sites. The market demand and resultant sales activity remains high and 90 new sales in Stages 3 and 4 were secured to underpin the next phase of construction. As per the Stonehill project, additional funding has been gained to accelerate the construction of infrastructure, parks and roads necessary to settle Stages 2, 3 and 4 during 2018.
- > The South Australian communities projects (Mawson Green at Meadows and Orleana Waters at Evanston Gardens) continued to produce stable turnover with sales rates in line with the current challenged residential market in Adelaide.
- > Completion of infrastructure works at Stage 9 Mawson Green allowed settlements to commence in late 2017.
- > All remaining medium density housing contracts (20) from the discontinued housing businesses were completed and settled during the period.
- > For the Mode Apartments project at Newstead Queensland, a joint venture with Daikyo, completion of construction occurred in May 2017 which enabled settlement of 112 residential apartments together with the management rights of the project's leased premises. This facilitated the repayment of the project specific construction funding facility. Since building completion, a further 23 new sales have been achieved following an intensive marketing campaign in late 2017 leaving a residual 22 units for sale as at the date of this report.
- > Completion of all residential apartment projects by Devine Constructions.
- > Successful finalisation of a number of contractual and insurance claims, including in relation to the Alex Perry Residential Project and weather insurance claims across a number of Devine Constructions residential projects. A number of contractual and insurance claims in the construction business remain which are expected to result in either a commercial resolution during 2018 or, if a suitable commercial resolution cannot be concluded, the initiation of a full legal process by the Company.



### 3. Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2017, the Group incurred a net loss after tax of \$28m (2016: net loss of \$38m) and generated net cash outflows from operating activities of \$27m (2016: inflow of \$11m). As at 31 December 2017, the Group had net assets of \$147m (2016: \$175m) and current assets exceeded current liabilities (including the Senior ANZ Bank Multi Option Facility (MOF) balance of \$47m) by \$4m (2016: \$4m).

As at 31 December 2017, the Group had drawn debt and bank guarantees totalling \$51m under the MOF, of which \$47m has been classified as a current liability due to its maturity being 31 March 2018. Testing of financial covenants of the MOF Agreement has been deferred until 31 March 2018. The current \$51m net exposure of the Group to the senior lender in relation to the MOF is secured by assets valued by the Group in excess of the debt amount. The Directors note that, if the MOF is not re-financed by 31 March 2018, the Group currently does not have the immediate capacity to repay the facility in full nor does it currently have readily available alternate sources of liquidity.

In preparing the financial statements on a going concern basis, the Directors have had regard to the re-organisation of the Company's business and the Group's ongoing discussions with the senior lender regarding refinance of the MOF. The Directors note that the senior lender has continued to work closely with Devine and its majority shareholder and has previously agreed to extensions of the facility which it last extended to 31 March 2018. On the basis of the discussions with the senior lender, the re-organisation of the Company's business and the continued focus on cash and liquidity by management, the Directors consider that the Group is not in a position which would require adjustment to the recoverability and classification of recorded assets and liabilities and the use of the going concern basis is appropriate.

The Directors are satisfied that the Group can continue to operate as a going concern to realise assets and discharge liabilities in the ordinary course of business and at the amounts stated in the financial report.

Accordingly, no adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### 4. Market conditions

National housing figures released in early 2018 show that the residential building market finished solidly throughout the latter half of 2017. Indicators of future activity, building approval data and housing finance figures indicate that the demand for new homes remained resilient throughout the final quarter of 2017. The rise in dwelling approval data was driven by renewed strength in approvals for apartments with Victoria recording the strongest growth.

Housing affordability has improved in all states and territories with a large increase in the number of loans to first homebuyers. First homebuyers account for 18% of national total owner occupied housing finance commitments, the highest proportion since 2012.

Strong levels of population growth, rebounding labour markets and forecast low interest rates, are providing good catalysts to remain positive about the 2018 outlook for property markets.

Devine continues to operate in various residential markets in Australia which exhibit different conditions and are inconsistent in strength.

Consumer confidence indices ended the year in optimistic territory following a surge in confidence over the concluding quarter. A less threatening outlook for interest rates is thought to have boosted confidence, along with the general strength of the labour market and consumers more comfortable with the outlook for jobs. The 'time to buy a dwelling' index has ended 2017 in positive territory, although the index is mixed with affordability constraints appearing to impact consumers in New South Wales and Victoria.

# DIRECTORS' REPORT

CONTINUED

## 4. Market conditions (continued)

### Victoria

Melbourne is currently enjoying its strongest property market in seven years, with record sales volume results and strong price growth, up 13.2% for 2017; the highest since 2010. According to figures released by the HIA, Victoria is the only state to experience a surge in new home sales volumes in 2017, up 5.8%.

High levels of interstate and overseas migration coupled with new Government initiatives for first home buyers have assisted in driving the result. Loans to first home buyers increased 33% for the year to end September 2017, providing support of the success of the initiatives.

The growth in the market is not limited to Melbourne, with regional areas, particularly those within commuting distance of the CBD, also recording strong price growth – up 10% on the same period last year.

The state continues to record the fastest growing population in the country with the rate of 2.3% reported for the 2016/17 year.

### Queensland

Despite a positive national result building approvals declined in Queensland through 2017 with the result attributed to the oversupply of multi-unit apartment dwellings. Over the year to November building approvals fell 19%, however the trend for stand-alone homes had shown good improvement up 7.7% since March 2017 further highlighting the drag the multi-unit market was having on the residential sector. New homes sales across Queensland fell 14% through 2017.

Housing affordability in Queensland improved throughout 2017, with the proportion of income to meet home loan repayments down 1% to 26.8%. Regional markets with a prior dependence on the mining or resource sectors appear to be stabilising.

### South Australia

The new home market remained subdued through 2017 with dwelling approvals ending the year near flat at historical low levels. Job security and unemployment levels challenged the South Australian economy throughout 2017 however recent surveys indicate an improved outlook for business conditions and strong growth.

Adelaide presents a considerable price gap on other capital city markets with median house price of \$470,000 compared to \$725,000 in Victoria.

## 5. Outlook

The Company has continued to resolve and finalise the legacy items and ascertain the direction for the Company to preserve shareholder value and maintain business liquidity.

The Company is now better placed to execute its property development objectives, principally in the Communities land development business by accelerating stages within its existing projects and to further position itself for the purchase of new development sites. In addition, the Company will continue to monitor the commercial opportunities for the various land holdings owned by the Company. However, the Company's financial outlook is dependent on the successful resolution of the contractual and insurance claims within the Construction division, continuing focus on overheads and the need to rebuild its pipeline within the constraints of challenging financial markets.

## 6. Risk management

The risk management processes consider and manage business risks at a Group, business unit and project level. A detailed risk assessment process is undertaken on a quarterly basis and with corresponding quarterly updates provided to the Board. The risk assessment process considers both the likelihood of a risk occurring and the impact that the risk would have on the business should it occur. Where the rating assigned to a specific risk warrants it, action plans are established to mitigate both the likely occurrence of the risk and its potential impact on the business.



**Key risks**

The key risks to the Group’s business, whilst not exhaustive, include:

**Trading and Operations Risks**

The Group’s revenue and profits are reliant on the Company achieving an acceptable level of sales of its products and not incurring any protracted interruptions to its normal operations. To manage this, the Group has a diversified range of product offerings and operates in a number of growth corridors in the major markets in which it operates.

**Strategic and Market Risks**

The Group is susceptible to major changes to activity levels in the residential sector as a result of changes to macro-economic settings in Australia and the market conditions in the geographies in which it operates and changes in government policies (at all levels of government) and approvals. In order to monitor the potential impact of these external factors, the Company regularly reviews updates from economists and other experts, and considers the impact of forecast changes on the business plan and the value of its developments.

**Funding and Liquidity Risks**

The Group is reliant on its ability to secure and maintain adequate funding for its major projects and normal trading operations. To mitigate this risk the Group:

- > endeavours to have access to a number of committed credit lines, at both Group and project level, with a variety of counterparties;
- > manages its capital structure; and
- > may undertake the sale of identified projects or assets.

Currently discussions to refinance the senior debt facility are occurring and the Group continues to work positively with its senior lender to renegotiate the facility. (Refer to section 3 ‘Going Concern’ for further information.)

**Other Risks**

Other areas of risk that are faced by the Group include:

- > Reputational risks associated with ensuring that high quality standards for its products are maintained and that there is an appropriate response to any complaints received from customers.
- > Reputational and funding risks associated with its partners in joint and other business arrangements.

- > Securing adequate people and material resources to meet the Company’s trading requirements, particularly when there is a significant lift in market activity.
- > General risks of a corporate nature which include risks associated with a potential prolonged interruption to the Company’s IT systems, the provision of appropriate insurance cover, disruptions to the Group’s administrative functions due to a fire, flood or other major event, occurring to one of its offices.
- > Operating in an industry where there is a risk of incidents (to persons, property and the environment) occurring on our development and construction sites. The Group works within the provisions of local, state and federal government legislation, which is managed via the Company’s WHS and Environmental Management Systems.
- > Reporting risks associated with reliance on forecasts. Forecasts are utilised in support of a number of items in the financial accounts. To the extent that actual outcomes vary from the forecasted amounts could subsequently affect the values of these items.

**EARNINGS PER SHARE**

	<b>12 months to December 2017 Cents</b>	12 months to December 2016 Cents
<b>Basic and diluted earnings/(loss) per share</b>		
Total basic and diluted, loss for the year attributable to ordinary equity holders of the Company	<b>(17.9)</b>	(23.9)

# DIRECTORS' REPORT

## CONTINUED

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no significant events which have occurred post 31 December 2017.

### ENVIRONMENTAL REGULATION

During the financial year ending 31 December 2017, the Company's activities were primarily involved in the completion of medium density and high-rise residential developments and the development and sale of residential land. Accordingly, it is subject to the relevant local, state and federal government environmental regulations relating to these activities. The Company strives at all times to meet the requirements of these regulations and is conscious of its obligations to protect the environment. To the best of the Directors' knowledge, all activities have been carried out in compliance with these requirements.

### WORKPLACE HEALTH AND SAFETY

The nature of the industry in which the Group operates means there is a risk of incidents and injuries occurring on our developments. The Company's WHS Management System places obligations on all employees to help minimise the number of incidents and injuries that occur on our developments. The Health and Safety officers and through them our Development Managers, Project Managers and Site Managers conduct regular training sessions, site inspections and audits to ensure our contractors, consultants and suppliers are complying with the Company's WHS policies and procedures. The Directors understand their responsibilities under the WHS (OHS in Victoria) Legislation and comply with a strict WHS Due Diligence Framework. The Senior Executive Team, receive monthly WHS reports outlining both lead (positive safety outcomes) and lag (incidents and injuries) indicators for the Company. In the financial year ending 31 December 2017 there were 3 notifiable incidents across the Group (December 2016: 13).

#### ***Notification under Workplace Gender Equality Act 2012 (WGEA)***

Devine is no longer a "relevant employer" under the WGEA and as such is no longer required to lodge an annual report.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments and expected results are covered in the Operating and Financial Review.

### LOANS TO DIRECTORS AND EXECUTIVES

No loans were secured or made to Directors and executives during the financial year ended 31 December 2017 (December 2016: Nil).

### INSURANCE OF OFFICERS

Insurance and indemnity arrangements existing in the previous financial year concerning officers of the Group were renewed or continued. The constitution of Devine provides an indemnity (to the maximum extent permitted by law) in favour of each Director, Secretary and Executive Officer. The indemnity is against any liability incurred by that person in their capacity as a Director, Secretary or Executive Officer to another person (other than Devine or a related body corporate) unless the liability arises out of conduct involving a lack of good faith. The indemnity includes costs and expenses incurred by an officer in successfully defending that person's position. The Company has paid a premium regarding a contract insuring each Director, Secretary and Executive Officer, against certain liabilities incurred in those capacities, to the extent permitted by law. Disclosure of premiums and coverage is prohibited by the contract of insurance.



**INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

**NON-AUDIT SERVICES**

The Company may decide to employ the external auditor (Ernst & Young) on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- > all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- > none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditor’s independence declaration, as required under section 307(C) of the *Corporations Act 2001*, is set out later in this report.

During the financial year, the following fees were paid or payable for services provided by Ernst & Young and their related practices:

	Consolidated	
	12 months to December 2017 \$	12 months to December 2016 \$
<b>Ernst &amp; Young</b>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	249,302	252,721
Tax compliance and advisory services	41,195	32,345
<b>Total auditors' remuneration</b>	<b>290,497</b>	<b>285,066</b>

# DIRECTORS' REPORT

## CONTINUED

### REMUNERATION REPORT (AUDITED)

This remuneration report for the financial year ended 31 December 2017 outlines the remuneration arrangements for the Group and this has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report is presented under the following sections:

- > Introduction;
- > Remuneration governance;
- > Remuneration arrangements;
- > Executive remuneration outcomes for the 2017 financial year; and
- > Additional statutory disclosures

#### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined in accordance

with AASB 124 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent entity.

For the purposes of this report the term "executive" includes the Chief Executive Officer and other KMP of the Group.

#### Directors disclosed in this report

Name	Position
Non-executive and executive Directors	
D P Robinson	Non-executive Director (Chairman)
G Sassine	Non-executive Director
S A Cooper	Chief Executive Officer (appointed Executive Director 7 January 2017)
P J Dransfield	Non-executive Director (deceased 5 January 2017)

#### KMP disclosed in this report

Name	Position
Other KMP	
J S L Mackay	Chief Financial Officer and Company Secretary



## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 2. Remuneration governance

A key objective of the Company is to maximise shareholder returns through the attraction and retention of high quality Board and executive teams. To achieve this, Directors and executives need to receive fair and appropriate remuneration.

The Board's approach is to take account of the employment market conditions and to link the nature and amount of the Non-executive Directors' and executives' emoluments to the Group's financial and operational performance. The expected outcomes of the remuneration structure are:

- > To provide satisfactory returns to shareholders;
- > The retention and motivation of executives;
- > To attract quality management to the Group; and
- > By way of performance incentives, to allow executives to share in the success of the Group.

The Board is responsible for reviewing and determining the compensation arrangements and employment conditions for the Directors, the CEO and the executive team and monitors and reviews any performance hurdles associated with incentive plans as appropriate.

#### Use of remuneration consultants

To ensure the Board is fully informed when making remuneration decisions it periodically seeks external remuneration advice. At such times, the engagement of remuneration consultants by the Board is based on an agreed set of protocols to be followed by the remuneration consultants, and KMP, whereby the consultants are appointed by, and report directly to, the Chairman of the Board without influence from executives.

No remuneration consultants were engaged in the financial year.

### 3. Remuneration arrangements

In accordance with best practice corporate governance, the structure of remuneration for the non-executive Directors and executives is separate and distinct.

#### Non-executive Director remuneration

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

##### Structure

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a General Meeting. An amount not exceeding the amount so determined is divided between Directors as agreed. The latest determination was at the General Meeting held on 26 April 2007 where shareholders approved an aggregate remuneration allowance of \$1,000,000 per year. In accordance with the Company's Constitution and the *Corporations Act 2001*, the Company meets the reasonable cost of travel and other costs the Directors may incur in attending to the Company's affairs. In addition, any Director who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, or who at the request of the Directors, engages in any journey on the business of the Company, may be paid extra remuneration as determined by the Board. Any such amount paid does not form part of the aggregate remuneration allowance.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Non-executive Directors do not participate in any short or long term incentives.

The remuneration of non-executive Directors is detailed in Section 4 of this report.

#### Executive remuneration

##### Objective

The Company aims to reward executives with a mix of remuneration commensurate with their position and responsibilities within the Group to:

- > Align the interests of executives with those of shareholders; and
- > Ensure total remuneration is competitive by market standards.

##### Structure

In determining the level and makeup of executive remuneration, the Board considers market levels of remuneration for comparable executive roles and, as required, engages external consultants to provide comparative information and advice.

The Board believes that the current level of remuneration is sufficient to achieve Devine's remuneration philosophy.

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration mix

The remuneration for KMP currently only provides for fixed remuneration.

Position	Percentage of Total Remuneration		
	Fixed Remuneration	At Risk Variable Components	
		Target Base STI	LTI Grant Value
CEO	100%	Nil	Nil
CFO & Company Secretary	100%	Nil	Nil

The amount of remuneration is established for each executive by the Board using the principles outlined below.

### Fixed Remuneration

#### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market. Fixed remuneration for executives is reviewed annually by the Board. Individual performance and comparative remuneration on offer in the market place are also considered.

There is no guaranteed fixed remuneration increase included within the contractual arrangements with any KMP. There was no increase to any KMP fixed remuneration for the year.

### Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment will be optimal for the recipient without creating cost for the Group.



## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 4. Executive and non-executive remuneration outcome for the 2017 financial year

#### STI and LTI for the 2017 financial year

As determined by the Board for the 2017 financial year, no performance rights were granted to KMP of the Group.

#### Details of remuneration

The following tables show details of the remuneration received by the Directors and the KMP of Devine.

Period #	Short-term benefits				Post employment	Sub - total	Long-term benefits		Share based	Termination Payments	Total	
	Salary & fees	STI Bonus	Non-monetary benefits	Committee & other fees	Super-annuation		Long service leave <sup>*</sup>	Retention bonus <sup>**</sup>	Performance Rights fair value <sup>^</sup>			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Executive Director</b>												
<b>S A Cooper<sup>1</sup></b>	<b>Dec-17</b>	<b>451,793</b>	-	-	<b>49,020</b>	<b>19,832</b>	<b>520,645</b>	-	-	-	-	<b>520,645</b>
	Dec-16	429,379	-	-	46,632	19,269	495,280	-	-	-	-	495,280
<b>Non-executive Directors</b>												
<b>D P Robinson</b>	<b>Dec-17</b>	<b>95,890</b>	-	-	-	<b>9,110</b>	<b>105,000</b>	-	-	-	-	<b>105,000</b>
	Dec-16	95,890	-	-	-	9,110	105,000	-	-	-	-	105,000
<b>P J Dransfield</b>	<b>Dec-17</b>	<b>1,475</b>	-	-	-	<b>140</b>	<b>1,615</b>	-	-	-	-	<b>1,615</b>
(deceased 05 Jan 2017)	Dec-16	101,217	-	-	-	9,616	110,833	-	-	-	-	110,833
<b>G Sassine</b>	<b>Dec-17</b>	<b>105,000</b>	-	-	-	-	<b>105,000</b>	-	-	-	-	<b>105,000</b>
(appointed 18 Jan 2016)	Dec-16	91,452	-	-	-	-	91,452	-	-	-	-	91,452
<b>J S Downes</b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 18 Jan 2016)	Dec-16	4,426	-	-	-	759	5,185	-	-	-	-	5,185
<b>J D Cummings</b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 18 Jan 2016)	Dec-16	4,426	-	-	-	759	5,185	-	-	-	-	5,185
<b>M C Gray</b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 18 Jan 2016)	Dec-16	4,426	-	-	-	759	5,185	-	-	-	-	5,185
<b>Other KMP</b>												
<b>J S L Mackay<sup>2</sup></b>	<b>Dec-17</b>	<b>320,436</b>	-	-	<b>12,532</b>	<b>19,832</b>	<b>352,800</b>	-	-	-	-	<b>352,800</b>
	Dec-16	276,147	-	-	10,829	17,880	304,856	-	-	-	-	304,856
<b>A S Brimblecombe<sup>3</sup></b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
	Dec-16	63,282	-	-	-	3,218	66,500	-	-	5,489	-	71,989
<b>T R Conway<sup>4</sup></b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
	Dec-16	55,115	-	-	-	3,218	58,333	-	-	-	-	58,333
<b>W Rowe<sup>5</sup></b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
	Dec-16	46,782	-	-	-	3,218	50,000	-	-	-	-	50,000
<b>C G Bellamy<sup>6</sup></b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
	Dec-16	161,570	-	-	-	9,654	171,224	-	-	(4,251)	45,190	212,163
<b>C C Mana<sup>7</sup></b>	<b>Dec-17</b>	-	-	-	-	-	-	-	-	-	-	-
	Dec-16	3,896	-	-	-	4,827	8,723	-	-	(63,885)	56,004	842
<b>Total</b>	<b>Dec-17</b>	<b>974,594</b>	-	-	<b>61,552</b>	<b>48,914</b>	<b>1,085,060</b>	-	-	-	-	<b>1,085,060</b>
	Dec-16	1,338,008	-	-	57,461	82,287	1,477,756	-	-	(62,647)	101,194	1,516,303

\* Long Service leave is classified as part of the executive's remuneration when, under the relevant state legislation, there is a pro-rata entitlement for this to be paid on termination from the Company, or if has not been previously disclosed, on payment.

\*\* Retention bonus is classified as part of the executive's total remuneration package in the period that payment is made or due. The entitlement is recognised in other payables and provision for employee benefits on a pro-rata basis over the relevant service period.

<sup>^</sup> The fair value of equity instruments is determined as at the grant date and is recognised as remuneration progressively over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that the KMP may ultimately realise should the equity instruments vest.

1 Remuneration for FY2016 was disclosed to the extent that it related to Mr Cooper's employment in the capacity of an Executive, which commenced on 19 January 2016. Mr. Cooper was appointed Executive Director on 7 January 2017.

2 Remuneration for FY2016 was disclosed to the extent that it related to Mr Mackay's employment in the capacity of an Executive, which commenced on 18 February 2016.

3 Mr Brimblecombe ceased to be a KMP effective 1 March 2016

4 Mr Conway ceased to be a KMP effective 1 March 2016

5 Mr Rowe ceased to be a KMP effective 1 March 2016

6 Mr Bellamy ceased to be a KMP effective 18 February 2016

7 Mr Mana ceased to be a KMP effective 28 January 2016

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 4. Executive and non-executive remuneration outcome for the 2017 financial year (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		Fixed remuneration	
	December 2017 \$	2017 %	December 2016 \$	2016 %
Other KMP				
S A Cooper	520,645	100%	495,280	100%
J S L Mackay	352,800	100%	304,856	100%

### 5. Additional Statutory Disclosures

#### (a) Service agreements

All KMP of the Group are retained under an employment contract. This sets out the terms on which the executive is employed, key policies and procedures to which the executive must adhere and details of the executive's total remuneration package.

The total remuneration package includes the fixed remuneration component (base salary, superannuation and if applicable any allowances and fringe benefits), the variable component of the short term incentive scheme and long term incentive scheme.

The employment contract with the CEO is for a 3 year fixed term. The employment contracts with the remaining senior executives have no fixed term. All contracts may be terminated by either party giving three months' notice.

The remuneration of the senior executives is subject to annual review by the Board.

Specific details relating to the employment agreements of each KMP are summarised in the following table.

Name	Title	Commencement Date	Current Contract Date	Other Key Contract Terms
S A Cooper	CEO	CEO – 19 January 2016 Executive Director – 07 January 2017	5 February 2016	Mr Cooper may be eligible to participate in the Company's LTI plan. Eligibility is at the Company's discretion and may vary from year to year. Mr Cooper is under a 3 year contract.
J S L Mackay	CFO & Company Secretary	18 February 2016	21 March 2016	Mr Mackay may be eligible to participate in the Company's LTI plan. Eligibility is at the Company's discretion and may vary from year to year.

#### (b) Group Performance

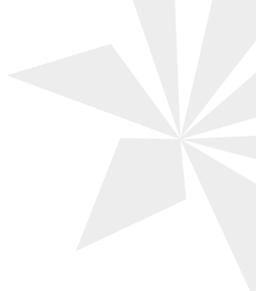
The tables below shows key total shareholder return (TSR) performance indicators:

	FY 2013	TY Dec 2013 #	FY 2014	FY 2015	FY 2016	FY 2017
Earnings per share (cents)	(0.4)	(46.0)	2.3	(22.7)	(23.9)	(17.9)
Dividends per share (cents)	0.0	0.0	0.0	0.0	0.0	0.0
Closing share price (cents)	67.0	81.0	94.0	70.0	45.0	40.0

# In accordance with the requirements of the *Corporations Act 2001* Devine changed its financial year end from 30 June to 31 December in the 31 December 2013 reporting period. As a result this period consists of a 6 month period, 1 July 2013 to 31 December 2013, whilst the previous reporting periods are for 12 month periods, 1 July to 30 June and the current reporting periods are for 12 months from 1 January to 31 December.

#### (c) Shareholding of KMP

There were no shares held during the financial year by a Director of Devine or other KMP of the Group, including their related parties.



**EMPLOYEES**

The Group employed 25 employees as at 31 December 2017 (December 2016: 58 employees).

**ROUNDING OF AMOUNTS**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission. Amounts in the Directors' report have been rounded in accordance with that to the nearest thousand dollars, or in certain cases, to the nearest dollar or million dollars.

This report is made in accordance with a resolution of the Directors of Devine.

**D P Robinson**  
Chairman

Brisbane  
27 February 2018

# AUDITOR'S INDEPENDENCE DECLARATION



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## Auditor's Independence Declaration to the Directors of Devine Limited

As lead auditor for the audit of Devine Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Devine Limited and the entities it controlled during the financial year.

Ernst & Young

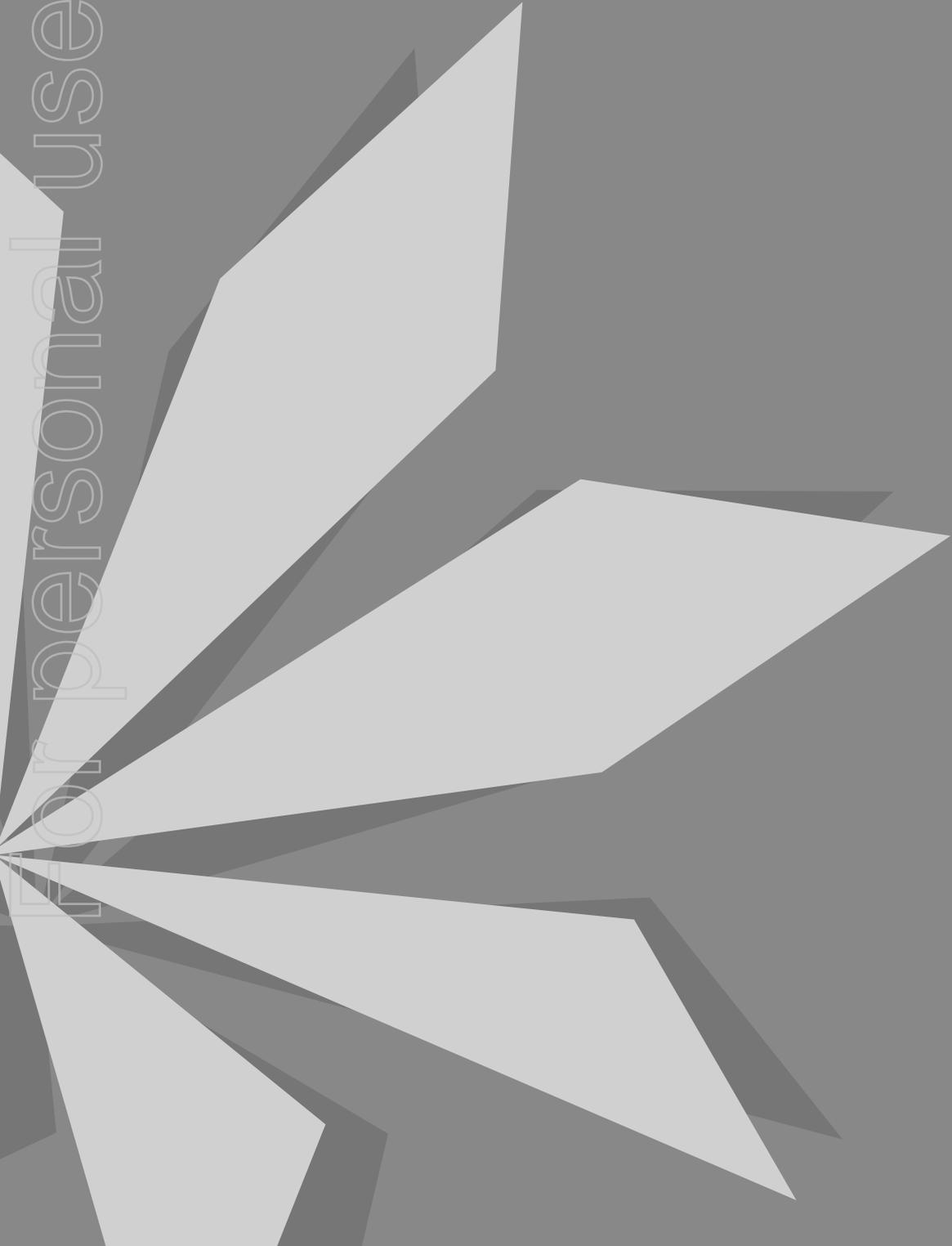
Ric Roach  
Partner  
27 February 2018

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# FINANCIAL REPORT

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	12 months to December 2017 \$'000	12 months to December 2016 \$'000
<b>Continuing operations</b>			
Revenue	3	46,646	193,670
Expenses	4	(80,415)	(227,920)
Finance income	3	373	522
Finance expenses		(103)	(120)
<b>Net finance income</b>		<b>270</b>	<b>402</b>
Share of net profit/(loss) of joint ventures accounted for using equity method	30(b)(iii)	6,002	(4,496)
<b>Loss from continuing operations before income tax</b>		<b>(27,497)</b>	<b>(38,344)</b>
Income tax expense	5	-	(863)
<b>Loss from continuing operations after income tax</b>		<b>(27,497)</b>	<b>(39,207)</b>
<b>Discontinued operations</b>			
(Loss)/profit after tax from discontinued operations	36	(895)	1,318
<b>Loss for the year</b>		<b>(28,392)</b>	<b>(37,889)</b>
<b>Total comprehensive loss for the year</b>		<b>(28,392)</b>	<b>(37,889)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company	33	(17.9)	(23.9)
<b>Earnings per share for continuing operations</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company	33	(17.3)	(24.7)
<b>Earnings per share for discontinued operations</b>			
Basic and diluted, profit/(loss) for the year attributable to ordinary equity holders of the Company		(0.6)	0.8

Note: The consolidated loss before tax of Devine Limited and its subsidiaries of \$28,392,311 comprises a loss from continuing operations of \$27,496,868 and loss from discontinued operations of \$895,443. Refer also to note 32(b) segment information.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	295	863
Receivables	8	34,352	45,584
Inventories	9	40,999	37,190
Prepayments		1,218	670
<b>Total current assets</b>		<b>76,864</b>	84,307
<b>Non-current assets</b>			
Receivables	10	9,451	15,850
Inventories	14	116,310	149,524
Investments accounted for using the equity method	30(b)	19,215	4,441
Plant and equipment	15	456	1,377
Intangible assets	16	3,316	3,316
<b>Total non-current assets</b>		<b>148,748</b>	174,508
<b>Total assets</b>		<b>225,612</b>	258,815
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	23,767	59,682
Interest bearing loans	19	46,617	17,290
Provisions	20	2,592	3,165
<b>Total current liabilities</b>		<b>72,976</b>	80,137
<b>Non-current liabilities</b>			
Advances and other payables	21	4,709	2,294
Provisions	20	1,422	1,492
<b>Total non-current liabilities</b>		<b>6,131</b>	3,786
<b>Total liabilities</b>		<b>79,107</b>	83,923
<b>Net assets</b>		<b>146,505</b>	174,892
<b>EQUITY</b>			
Contributed equity	23	292,367	292,367
Reserves	24(a)	336	331
Accumulated losses	24(b)	(146,198)	(117,806)
<b>Total equity</b>		<b>146,505</b>	174,892

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2017		292,367	331	(117,806)	174,892
Loss for the year		-	-	(28,392)	(28,392)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the year</b>		-	-	<b>(28,392)</b>	<b>(28,392)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Expense pursuant to employee incentive scheme	24(a)	-	5	-	5
<b>Balance at 31 December 2017</b>		<b>292,367</b>	<b>336</b>	<b>(146,198)</b>	<b>146,505</b>
	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2016		292,367	355	(79,917)	212,805
Loss for the year		-	-	(37,889)	(37,889)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the year</b>		-	-	<b>(37,889)</b>	<b>(37,889)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Benefit pursuant to employee incentive scheme	24(a)	-	(24)	-	(24)
<b>Balance at 31 December 2016</b>		<b>292,367</b>	<b>331</b>	<b>(117,806)</b>	<b>174,892</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	12 months to December 2017 \$'000	12 months to December 2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		36,621	246,554
Payments to suppliers and employees (inclusive of goods and services tax)		(61,521)	(231,498)
Interest received		23	188
Interest and borrowing costs paid		(1,784)	(3,936)
<b>Net cash (outflow)/inflow from operating activities</b>	25	<b>(26,661)</b>	11,308
<b>Cash flows from investing activities</b>			
Net proceeds from plant and equipment		17	3
Net (payments)/proceeds to/from investments in joint ventures		(277)	68
Loans to joint ventures		(6,195)	(2,826)
Repayments of loans by joint ventures		3,221	4,965
Proceeds from sale of equity accounted investments		-	3,860
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,234)</b>	6,070
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		30,034	71,465
Repayment of borrowings		(707)	(103,684)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>29,327</b>	(32,219)
<b>Net decrease in cash and cash equivalents</b>		<b>(568)</b>	(14,841)
Cash and cash equivalents at the beginning of the financial year		863	15,704
<b>Cash and cash equivalents at end of the financial year</b>	7	<b>295</b>	863

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Devine Limited and its subsidiaries. The accounting policies adopted are consistent with those of the previous financial year:

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements are presented in Australian dollars.

All values are rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar or million dollars.

#### (i) Statement of compliance

The consolidated financial statements of Devine Limited comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (ii) Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### (iii) Critical accounting estimates

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

#### (iv) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2017, the Group incurred a net loss after tax of \$28m (2016: net loss of \$38m) and generated net cash outflows from operating activities of \$27m (2016: inflow of \$11m). As at 31 December 2017, the Group had net assets of \$147m (2016: \$175m) and current assets exceeded current liabilities (including the Senior ANZ Bank Multi Option Facility (MOF) balance of \$47m) by \$4m (2016: \$4m).

As at 31 December 2017, the Group had drawn debt and bank guarantees totalling \$51m under the MOF, of which \$47m has been classified as a current liability due to its maturity being 31 March 2018. Testing of financial covenants of the MOF Agreement has been deferred until 31 March 2018. The current \$51m net exposure of the Group to the senior lender in relation to the MOF is secured by assets valued by the Group in excess of the debt amount. The Directors note that, if the MOF is not re-financed by 31 March 2018, the Group currently does not have the immediate capacity to repay the facility in full nor does it currently have readily available alternate sources of liquidity.

In preparing the financial statements on a going concern basis, the Directors have had regard to the re-organisation of the Company's business and the Group's ongoing discussions with the senior lender regarding refinance of the MOF. The Directors note that the senior lender has continued to work closely with Devine Limited and its majority shareholder and has previously agreed to extensions of the facility which it last extended to 31 March 2018. On the basis of the discussions with the senior lender, the re-organisation of the Company's business and the continued focus on cash and liquidity by management, the Directors consider that the Group is not in a position which would require adjustment to the recoverability and classification of recorded assets and liabilities and the use of the going concern basis is appropriate.

The Directors are satisfied that the Group can continue to operate as a going concern to realise assets and discharge liabilities in the ordinary course of business and at the amounts stated in the financial report.

Accordingly, no adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.



### **(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Devine Limited and its subsidiaries as at 31 December 2017.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This generally accompanies a shareholding of more than one half of the voting rights.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements; and the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The financial statements of the subsidiaries are prepared for the same reporting period as the Company and accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **(c) Joint arrangements**

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company has two types of joint arrangements:

#### **Joint operations**

The Group's share of assets, liabilities, revenues and expenses of the joint operations have been incorporated in the financial statements under the appropriate headings. The financial statements and accounting policies of joint operations have been changed where necessary to ensure consistency with the reporting period and policies adopted by the Group. Details of the joint operations are set out in Note 30(a).

#### **Joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the entities are recognised in the Consolidated statement of comprehensive income, and the share of post-acquisition movements in reserves is recognised in reserves in the Consolidated statement of financial position. Details relating to joint ventures are set out in Note 30(b).

### **(d) Revenue recognition**

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

#### **(i) Land development and resale**

Revenue on the sale of land is recognised when risks and benefits of ownership transfer to a third party.

#### **(ii) Property development**

Revenue in respect of the Company's property development projects is recognised when risks and benefits of ownership transfer to a third party. 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 for each settled unit. Marketing and selling costs associated with the Company's property development projects are directly expensed as incurred.

#### **(iii) Single contract house and land package sales**

Revenue is recognised on the Company's house and land package sales that have been sold under one contract when settlement of both the house and land occurs. All other housing revenue is recognised by reference to the percentage of the services performed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Revenue recognition (continued)

##### (iv) Construction contracts

Revenue and costs on construction contracts with external parties are recognised in accordance with the percentage of completion method. When the outcome of the contract cannot be reliably estimated profits are deferred and where it is probable that the cost will be recovered, revenue is recognised to the extent of the costs incurred. 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.

For fixed price contracts, the percentage of completion is measured by reference to the actual costs incurred to date as a percentage of the total estimated costs for that contract.

For cost plus contracts, revenue is recognised by reference to the costs incurred during the reporting period that will be recovered under the contract plus the relevant margin earned.

Where the Group undertakes a building contract, revenue and costs are recognised in the consolidated financial statements when the building is complete and the risk and rewards of ownership have transferred to the end buyer/s.

Where the Group enters into a construction contract for a joint venture in which the Company has an equity interest, only that portion of the revenue generated and costs incurred that relates to the equity interest of the Company's joint venture partner is recognised in the consolidated financial statements in the period in which the work is carried out. That portion of the revenue and costs that relates to the Company's equity interest in the joint venture is only recognised in the consolidated financial statements when the construction contract is completed and the risk and rewards of ownership have transferred to the end buyer/s.

##### (v) Service revenue

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

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 cost will be recovered, revenue is recognised to the extent of costs incurred.

##### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as key management personnel and the Board.

##### (f) 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.

##### (g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the 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 original effective interest rate.

##### (h) 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 trade and other payables.

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) is deemed probable or has been obtained.

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 Group's construction activities in general.



#### (h) Inventories (continued)

##### (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, 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.

During the current year, a change has been made in the classification of previously capitalised borrowing costs and land holding costs that are expensed in the financial statements. Previously, these were disclosed under Finance expenses and Land holding expenses and are now disclosed under Expenses - Cost of sales. The comparatives have been amended accordingly as set out in Note 1(z).

Future revenues and expenses to be incurred in relation to land held for sale is not discounted to net present value in assessing net realisable value.

#### (i) Leases

Leases of property, plant and equipment where the Group as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 26). Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

#### (j) Plant and equipment

Plant and equipment is stated at historical cost less depreciation and impairment. 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 Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts, net of the residual values, over the estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Plant and equipment	2 - 5 years
Computer equipment	2 - 5 years
Leasehold improvements	2 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Intangible assets / Brand name

The initial cost of the brand name was generated by virtue of the business combinations created on the occasion of the listing of Devine Limited on the Australian Securities Exchange. Directors consider it to be an "Indefinite Life" asset as defined by AASB 138 Intangible Assets and therefore not subject to future amortisation. It is however, required to be tested for impairment on either an individual basis or the cash generating unit level on at least an annual basis to determine the appropriate carrying value.

#### (l) Investments and other financial assets

The Group classifies its financial assets 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 assets were acquired. Management determines the classification of its assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

##### (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 are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables (Notes 8 and 10) in the consolidated statement of financial position.

##### (iii) Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

##### (iv) Available-for-sale financial assets

Purchases and sales of assets are recognised on the date that the Group commits to purchase or sell the asset. Assets 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 Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets are generally included in non-current assets.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

#### (m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

#### (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30-45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

##### (i) Advances

These amounts represent funds advanced to the Group under contractual arrangements with settlement on deferred terms. Where payment is not due within 12 months from the reporting date, the amounts are presented as non-current liabilities and recognised at the present value of outstanding monies discounted at prevailing commercial borrowing rates.



#### (o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable 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.

#### (p) Interest bearing liabilities

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 profit or loss over the period of the borrowings using the effective interest method.

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

#### (q) Capitalisation of 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.

#### (r) Employee benefits

##### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the end of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when leave is taken and measured at the rates paid or payable.

##### (ii) Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave 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 high quality corporate 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 through the Devine Limited Long Term Incentive (LTI) Plan. Information relating to this plan is set out in Note 27.

The fair value of performance rights granted under the LTI Plan are recognised as an employee benefit expense with a corresponding increase in share based payment reserve in equity. The fair value is measured at grant date using an appropriate valuation model and recognised over the period during which the employees become unconditionally entitled to the share based payment.

Upon the vesting of performance rights, the balance of the share based payments reserve relating to those instruments is transferred to share capital.

#### (s) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- > hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- > hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### *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 profit or loss and are included in other income or other expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising at the initial recognition of goodwill.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### (i) 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, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

#### (ii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as, tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward and available for use.

#### (u) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of 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 consolidated statement of financial position.

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.

#### (v) Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the 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.



**(w) Contributed equity**

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(x) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**(y) Parent entity financial information**

The financial information for the Parent entity, Devine Limited, disclosed in Note 13 has been prepared on the same basis as the consolidated financial statements, except as set out below.

**(i) Investments in subsidiaries, associates and joint ventures**

Investments in subsidiaries, associates and joint ventures are accounted for at cost less any accumulated impairment in the financial statements of Devine Limited. Dividends received from associates are recognised in the Parent entity's profit or loss when its right to receive the dividend is established.

**(ii) Tax consolidation legislation**

Devine Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Devine Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Devine Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Devine Limited for any current tax payable and are compensated by Devine Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Devine Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

**(iii) Financial guarantees**

Where the Parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

**(z) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. No reclassifications were considered material and had a nil impact on the previously reported loss for the 2016 year or on the net assets as at 31 December 2016.

Some of the 2016 line items impacted and the amounts are as follows:

Line items as per financial statements	As disclosed 31 December 2016 \$000	As re-stated for 31 December 2016 \$000
Investments accounted for using the equity method (Note 30(b)(ii))	10,482	4,441
Advances and other payables (Note 18)	(40,214)	(34,173)
Trade receivables (Note 8)	5,015	1,515
Other receivables (Note 8)	1,399	4,899
Finance expenses (Note 1(h)(ii))	8,361	120
Land holding expenses (Note 4 and Note 1(h)(ii))	2,968	2,187
Cost of sales (Note 4 and Note 1(h)(ii))	188,970	197,992

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (aa) Changes in accounting estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

#### (ab) New accounting standards and interpretations

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017 have been adopted by the Group. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

- > AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* (AASB 112)
- > AASB 107 *Disclosure initiative – Amendments to AASB 107*
- > AASB 12 *Disclosure of Interests in Other Entities - Annual Improvement to IFRS Standards 2014-2016 Cycle*

The following new accounting standards have been published but are not mandatory for the 31 December 2017 reporting period:

- > AASB 15 *Revenue from Contracts with Customers* effective 1 January 2018
- > AASB 9 *Financial Instruments* effective 1 January 2018

The Group has undertaken significant assessment of the following accounting standards and their impact on the 2018 financial statements.

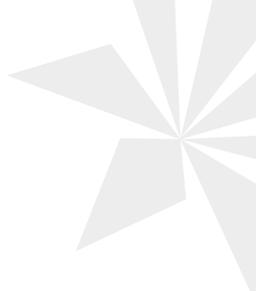
#### AASB 15 *Revenue from Contracts with Customers* effective 1 January 2018

The Australian Accounting Standards Board (AASB) has published 'AASB 15 *Revenue from Contracts with Customers*'. The purpose of the new Standard is to provide a single source of accounting requirements for all contracts with customers. This standard supersedes 'AASB 111 *Construction Contracts*' and 'AASB 118 *Revenue*' and all current accounting pronouncements on revenue.

AASB 15 will become effective for annual reporting periods beginning on or after 1 January 2018. The Group intends to apply this Standard retrospectively, whereby the Group recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application (1 January 2018). Under this transition method, an entity shall apply this Standard retrospectively only to contracts that are not complete at the date of initial application (1 January 2018).

The core principle underpinning the requirements in AASB 15 is that revenue should be recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. AASB 15 requires the adoption of a 5-step model for recognising revenue.

The Company is advanced in its assessment on applying the 5 step approach, and at this time, there were no material impacts identified on the timing of recognition of revenue from contracts in relation to principal continuing activities of the Group being Communities - land development and resale, Property development - Apartments and mixed use projects and Construction – Residential and apartment construction. However, as at 31 December 2017, the Group has receivables which upon transition would not meet the recognition criteria of the new standard. Whilst the Group's analysis is still ongoing and based on the contracts reviewed to date, on transition to AASB 15, the Group currently estimates an adjustment reducing opening retained earnings (or other component of equity, as appropriate) by approximately \$17m and the Group may also be required to disclose this as a contingent asset.



**(ab) New accounting standards and interpretations (continued)**

**AASB 9 Financial Instruments effective 1 January 2018**

The Australian Accounting Standards Board (AASB) has re-issued AASB 9 *Financial Instruments* and it replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The new standard addresses classification and measurement of financial assets and liabilities, provides a new set of hedge accounting rules and prescribes new principles on the impairment of financial assets. The new standard is expected to have broad implications for entities across various industries, not just those in the financial services sector.

AASB 9 will become effective for annual reporting periods beginning on or after 1 January 2018. The Group intends to apply this Standard retrospectively, whereby the Group recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application (1 January 2018).

On adoption of AASB 9, there are no expected material changes in the classification of financial assets and liabilities. Fair value changes resulting from credit risk are not expected to have a significant impact on future results. The impact from the introduction of the expected loss impairment model for determining credit provisions is not expected to be material.

Other new accounting standards that have been published but are not mandatory for the 31 December 2017 reporting period are as listed below:

- > AASB 16 *Leases* effective 1 January 2019 (refer note below)
- > AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* effective 1 January 2018
- > AASB 2014-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (AASB 2)* effective 1 January 2018
- > AASB 128 *Investments in Associates and Joint Ventures – clarification that measuring investees at fair value through profit or loss is an investment by investment choice* effective 1 January 2018
- > AASB 128 *Amendments – Long-term Interests in Associates and Joint Ventures* effective 1 January 2019
- > IFRIC Interpretation 23 *Uncertainty over Income Tax treatments* effective 1 January 2019
- > AASB 3 *Business Combinations – Previously held interests in a joint operation - Annual Improvement to IFRS Standards* effective 1 January 2019
- > AASB 11 *Joint Arrangements – Previously held interests in a joint operation - Annual Improvement to IFRS Standards* effective 1 January 2019
- > AASB 123 *Borrowing Costs - Borrowing costs eligible for capitalisation* effective 1 January 2019
- > AASB 112 *Income Taxes – Income tax consequences of payments on financial instruments classified as equity* effective 1 January 2019

Although further work will be required to assess the impact of the above new standards, the Directors believe that the preliminary assessment shows that the introduction of these standards will not have a significant impact on the Group's financial statements.

**AASB 16 Leases effective 1 January 2019**

AASB 16 *Leases* specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 *Leases* and the related interpretations.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$5.7m, refer to Note 26: Commitments.

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as projects are tendered for. As such the Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

- > the total assets and liabilities on the balance sheet will increase and over the course of the leases, the total net assets will show a decrease due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
- > the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;
- > interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease's life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to a number of leases held in the Group at different stages of their terms; and
- > repayment of the principal portion of all lease liabilities will be classified as financing activities

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimates and judgments 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 the carrying amounts of assets and liabilities within the financial year are:

> In assessing the carrying value of property development projects and land held for sale, assumptions of future sales prices, sales rates, future costs and other factors impacting projects are made based on the current state and future expectation of markets in which the Group operates. Management makes assessments on a project by project basis and where appropriate will adjust the carrying value of inventory to the lower of cost and net realisable value, as outlined in Note 1(h). These assessments may also be impacted by government policy, changes in interest rates and other economic factors;

> For construction projects, the Group recognises profit by reference to the stage of completion method and when the profit outcome can be reliably measured. Until the profit outcome can be reliably measured, profit recognition is deferred.

The Group prepares project cost forecasts and periodically assesses the cost to complete on each construction project, which requires management to estimate the cost of materials, trades and other direct and indirect costs. Management uses judgement in determining the amount of costs to be included in the forecasts, as well as the estimated construction timeline and potential impacts from project delays, disputes and contractual matters. The outcome of the project could be subsequently affected to the extent that actual costs vary from the forecasted amounts.

> The Group currently has \$17.5m (2016: \$27.9m) net contract debtor claims (which has been reduced by associated contract debtor provisions) recognised in the prior periods as an offset against projected contract costs under 'AASB 111 *Construction Contracts*', as these claims meet the recognition criteria of that standard. These claims include claims with customers and third parties, some of which are subject to litigation. The actual outcome of these claims may differ from the best estimate.

> The recoverability of accounts receivables is reviewed on an ongoing basis. An allowance will only be established when there is objective evidence that the Company will not be able to collect all amounts due. Management uses judgment in determining the level that is recoverable from the customers, taking into account the historic analysis of all customers, their relationship with the Company and the prevailing economic condition (refer Notes 8 and 10);

> The Group has recognised deferred tax assets to the extent that it is probable that taxable profit will be available, against which the deferred tax asset can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has deferred tax assets of \$42.6m (2016: \$31.7m) in respect of tax losses that have not been recognised (refer Note 5) and deferred tax assets of \$45.9m (2016: \$40.9m) in respect of overall total tax losses;

### 3. REVENUE FROM CONTINUING OPERATIONS

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
<b>Revenue</b>		
Revenue from property development	24,447	99,768
Revenue from construction activities	746	73,023
Revenue from property development - related joint ventures	3,530	4,616
Revenue from construction activities - related joint ventures	17,025	14,766
	<b>45,748</b>	<b>192,173</b>
<b>Other revenue</b>		
Rent received	524	450
Sundry income	374	190
Net realised gain on sale of interest in equity accounted investments	-	857
	<b>898</b>	<b>1,497</b>
<b>Total Revenue</b>	<b>46,646</b>	<b>193,670</b>
<b>Finance income</b>	<b>373</b>	<b>522</b>

### 4. EXPENSES FROM CONTINUING OPERATIONS

#### (a) Expenses, excluding finance expenses, included in the statement of comprehensive income:

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Cost of sales	53,686	197,992
Marketing and selling costs	4,576	6,275
Occupancy**	2,043	3,643
Administration	9,314	10,243
Land holding expenses	904	2,187
Other *	9,892	7,580
	<b>80,415</b>	<b>227,920</b>

\* December 2017 includes \$6.2m loss on sale of 50% interest in a joint operation (an equivalent gain of \$6.2m is included within the share of profit from joint ventures; refer Note 30(a), 30(b)(ii)&(iii)), \$1.3m impairment of loans to a related joint venture, \$0.4m impairment of leasehold improvements at level 1 of the South Adelaide office and provisions raised of \$0.4m. December 2016 includes provisions raised of \$2.6m, loan forgiveness of \$2.1m to a related joint venture and loss on sale of 50% interest in equity accounted investment \$0.8m.

\*\* December 2016 includes \$1.0m in relation to the surrender of the lease for level 1 of the Brisbane office  
For December 2016 comparative re-classification, refer Note 1(z).

#### (b) Inventory write-downs/write-backs, impairments:

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Write-down of inventory included in cost of sales	3,250	3,500

#### (c) Other expenses:

Employee benefits	6,099	8,391
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 5. INCOME TAX EXPENSE

#### (a) Income tax expense

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
<b>Current tax expense:</b>		
Adjustments in respect of prior periods	-	-
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	-	1,546
Adjustments in respect of prior periods		
- prior year timing differences	-	(118)
<b>Income tax expense reported in the consolidated statement of comprehensive income</b>	<b>-</b>	<b>1,428</b>

#### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Loss from continuing operations before income tax expense	(27,497)	(38,344)
Profit/(loss) from discontinuing operations before income tax expense*	(895)	1,883
<b>Total loss before income tax expense</b>	<b>(28,392)</b>	<b>(36,461)</b>
Tax at the Australian tax rate of 30% (2016 - 30%)	(8,518)	(10,938)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Current year tax losses not recognised	8,517	12,458
Adjustments in respect of prior years	-	(118)
Entertainment	1	5
Options issued to employees	-	21
Capital gain from subsidiary exiting the tax group	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>1,428</b>
Income tax expense for continuing operations	-	863
Income tax expense/(benefit) for discontinuing operations	-	565
	-	1,428

\* Refer to Notes 32 and 36 for more detail

#### (c) Tax losses

The Group has total tax losses of \$152,981,531 (December 2016: \$136,442,632) which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met. \$142,010,508 of these losses (December 2016: \$105,602,509) have not been recognised.

Deferred tax assets in respect of these losses of \$42,603,153 (December 2016: \$31,680,753) have not been recognised as there is not sufficient certainty that future taxable amounts will be available in the short term to utilise these losses or that the tests under relevant taxation legislations will be able to be met.

During the year, the Group reviewed the relevant taxation legislation and after applying the continuity of ownership and control test and same business test concluded that a total of \$1,565,068 losses were no longer available to the Group for utilisation. The loss balances for the Group have been adjusted accordingly in the current year and prior year comparatives.



## 6. DIVIDENDS

	31 December 2017 \$'000	31 December 2016 \$'000
Franked dividends		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (Dec 2016 - 30%)	9,444	9,444

## 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	31 December 2017 \$'000	31 December 2016 \$'000
Cash and cash equivalents	295	863

## 8. CURRENT ASSETS – RECEIVABLES

	31 December 2017 \$'000	31 December 2016 \$'000
Trade receivables**	46	1,515
Provision for impairment	-	(66)
	46	1,449
Contract debtors*	17,610	29,655
Contract debtor provision*	(1,560)	(1,764)
	16,050	27,891
Other receivables**	3,992	4,899
Provision for impairment	(1,400)	(1,400)
	2,592	3,499
Joint venture loans	15,614	12,687
Deposits	50	58
<b>Total receivables</b>	<b>34,352</b>	<b>45,584</b>

\* As at 31 December 2017, \$1.7m Contract debtors and related Contract debtor provisions of \$0.2m were classified as non-current, also refer Note 10.

\*\* December 2016 comparative, \$3.5m re-classed from 'Trade receivables' to 'Other receivables' for consistency with current year disclosures, refer Note 1(z).

### (a) Impaired trade and other receivables

Movements in the provision for impairment of trade and other receivables are as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Opening balance	1,466	5,198
Provision for impairment recognised during the year	-	182
Utilised	-	(128)
Unused amounts reversed	(66)	(3,786)
<b>Closing balance</b>	<b>1,400</b>	<b>1,466</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 8. CURRENT ASSETS – RECEIVABLES (CONTINUED)

#### (b) Past due but not impaired

As of 31 December, the aging analysis of trade receivables not impaired is as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Neither past due nor impaired	-	869
Less than 30 days	45	4
30 - 60 days	-	2
61 - 90 days	-	-
Greater than 90 days	1	574
	<b>46</b>	<b>1,449</b>

#### (c) Other receivables

These amounts indirectly arise from the activities of the Group. Interest may be charged at commercial rates. Collateral is not normally obtained.

#### (d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above. The fair value of security held for certain trade receivables is insignificant as is the fair value of any collateral sold or repledged. Refer to Note 35 for more information on the risk management policy of the Group and the credit quality of the entity's trade and other receivables.

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Additional information on contract debtors</b>		
Total progressive value of all contracts in progress at reporting date	431,577	464,666
Less: Cash received to date	(414,075)	(436,775)
Amounts due from customers and third parties – contract debtors (refer Notes 8 and 10)	17,502	27,891
Amounts due to customers – trade creditors	-	-
Net contract debtors	<b>17,502</b>	<b>27,891</b>



## 9. CURRENT ASSETS – INVENTORIES

	31 December 2017 \$'000	31 December 2016 \$'000
Work in progress		
Work in progress	28	3,011
	28	3,011
Land held for sale		
Acquisition costs	19,151	11,438
Development costs capitalised	21,820	22,741
	40,971	34,179
<b>Total current inventories - at the lower of cost and net realisable value</b>	<b>40,999</b>	<b>37,190</b>

### Capitalised interest and borrowing costs

The amount of interest and borrowing costs capitalised to inventory (current and non-current - refer Note 14) during the financial year ended 31 December 2017 was \$2.2m (December 2016: \$3.7m). The weighted average interest rate on borrowings at 31 December 2017 is 3.37% (December 2016: 4.35%), also refer Note 35(a).

## 10. NON-CURRENT ASSETS – RECEIVABLES

	31 December 2017 \$'000	31 December 2016 \$'000
Contract debtors*	1,652	-
Contract debtor provision*	(200)	-
	1,452	-
Joint venture loans	5,712	12,856
Other receivables	2,287	2,994
<b>Total receivables</b>	<b>9,451</b>	<b>15,850</b>

\* Refer Note 8

### (a) Past due but not impaired

At 31 December 2017, there were no past due non-current receivables (December 2016: Nil).

### (b) Fair values

The fair value of non-current contract and other receivables is approximately equal to their carrying values.

### (c) Credit Risk

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. The Group holds relevant security in relation to receivables where available. Further information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 35.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 11. SUBSIDIARIES

#### Interests in subsidiaries

The Consolidated financial statements of the Group include the following entities:

Name of entity	Principal activities	Equity Interest **	
		December 2017 %	December 2016 %
Devine Homes Pty Ltd*	Home building	100	100
Devine Constructions Pty Ltd*	Construction	100	100
Talcliff Pty Ltd *	Property development	100	100
DMB Pty Ltd *	Property development	100	100
Pioneer Homes Australia Pty Ltd *	Property development	100	100
Devine Funds Pty Ltd *	Property development	100	100
Devine Funds Unit Trust	Property development	100	100
Devine Springwood No 1 Pty Ltd *	Property development	100	100
Moorookyle Devine Pty Ltd *	Property development	100	100
Devine Springwood No 2 Pty Ltd *	Property development	100	100
Devine Bacchus Marsh Pty Ltd *	Property development	100	100
Devine Management Services Pty Ltd *	Property development	100	100
Devine Queensland No 10 Pty Ltd*	Property development	100	100
Devine Land Pty Ltd *	Property development	100	100
Riverstone Rise Gladstone Pty Ltd *	Property development	100	100
Riverstone Rise Gladstone Unit Trust	Property development	100	100
DoubleOne 3 Pty Ltd *	Property development	100	100
Devine Springwood No 3 Pty Ltd *	Property development	100	100
Devine Building Management Services Pty Ltd*	Property management	100	100
DoubleOne 3 Building Management Services Pty Ltd*	Property management	100	100
Devine Projects (VIC) Pty Ltd*	Property development	100	100
Devine SA Land Pty Ltd*	Property development	100	100
Devine Woodforde Pty Ltd*	Property development	100	100
Tribune SB Pty Ltd*	Property development	100	100
Tribune SB Unit Trust	Property development	100	100
Trafalgar EB Pty Ltd*	Property development	100	100
Trafalgar EB Unit Trust	Property development	100	100
Devine Colton Avenue Pty Ltd*	Property development	100	100

All subsidiaries have a statutory reporting date of 31 December. The reporting dates were changed to be in line with the parent entity's reporting date as required by the *Corporations Act 2001*.

All subsidiaries are incorporated and registered in Australia. Australia is also their principal place of business.

\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, as set out in Note 12. There was no requirement to lodge an updated Deed of Cross Guarantee with ASIC for the financial year ending 31 December 2017.

\*\* The proportion of ownership interest is equal to the proportion of voting rights held by the Group.



## 12. DEED OF CROSS GUARANTEE

Devine Limited and the subsidiary companies specifically referenced in Note 11 are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

### (a) Consolidated statement of profit or loss and summary of movements in consolidated accumulated losses

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Devine Limited, they also represent the 'Extended Closed Group'.

Set out below is a Consolidated statement of profit or loss and a summary of movements in consolidated retained earnings/ (accumulated losses) for the financial year ended 31 December 2017 for the Closed Group.

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
<b>Consolidated statement of profit or loss</b>		
Loss from continuing operations before income tax	(26,958)	(35,691)
Income tax expense	(815)	(457)
Loss after tax from continuing operations	(27,773)	(36,148)
(Loss)/profit after tax from discontinued operations	(895)	1,318
<b>Net loss for the period</b>	<b>(28,668)</b>	<b>(34,830)</b>
<i>Summary of movements in consolidated accumulated losses</i>		
<b>Accumulated losses at the beginning of the reporting period</b>	<b>(118,120)</b>	<b>(83,290)</b>
Loss for the year	(28,668)	(34,830)
<b>Accumulated losses at the end of the reporting period</b>	<b>(146,788)</b>	<b>(118,120)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 12. DEED OF CROSS GUARANTEE (CONTINUED)

#### (b) Consolidated statement of financial position

Set out below is a Consolidated statement of financial position as at 31 December 2017 for the Closed Group.

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Current assets</b>		
Cash and cash equivalents	295	862
Receivables	34,100	45,584
Inventories	39,476	35,402
Prepayments	1,180	601
<b>Total current assets</b>	<b>75,051</b>	<b>82,449</b>
<b>Non-current assets</b>		
Receivables	35,691	50,575
Inventories	65,209	98,662
Investments accounted for using the equity method	19,215	4,441
Plant and equipment	456	1,376
Deferred tax assets	2,988	3,803
Intangible assets	3,316	3,316
<b>Total non-current assets</b>	<b>126,875</b>	<b>162,173</b>
<b>Total assets</b>	<b>201,926</b>	<b>244,622</b>
<b>Current liabilities</b>		
Trade and other payables	23,754	59,224
Interest bearing loans	23,535	3,874
Provisions	2,591	3,160
<b>Total current liabilities</b>	<b>49,880</b>	<b>66,258</b>
<b>Non-current liabilities</b>		
Advances and other payables	4,709	2,294
Provisions	1,422	1,492
<b>Total non-current liabilities</b>	<b>6,131</b>	<b>3,786</b>
<b>Total liabilities</b>	<b>56,011</b>	<b>70,044</b>
<b>Net assets</b>	<b>145,915</b>	<b>174,578</b>
<b>Equity</b>		
Contributed equity	292,367	292,367
Reserves	336	331
Accumulated losses	(146,788)	(118,120)
<b>Total equity</b>	<b>145,915</b>	<b>174,578</b>



### 13. PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary financial information

The individual financial statements for the Parent entity (Devine Limited) show the following aggregate amounts:

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Statement of financial position</b>		
<b>Assets</b>		
Current assets	40,996	158,219
Non-current assets	146,735	55,006
<b>Total assets</b>	<b>187,731</b>	<b>213,225</b>
<b>Liabilities</b>		
Current liabilities	21,723	18,818
Non-current liabilities	886	746
<b>Total liabilities</b>	<b>22,609</b>	<b>19,564</b>
<b>Net assets</b>	<b>165,122</b>	<b>193,661</b>
<b>Equity</b>		
Contributed equity	292,367	292,367
Reserves	336	331
Accumulated losses	(127,581)	(99,037)
<b>Total equity</b>	<b>165,122</b>	<b>193,661</b>
<b>Loss for the year</b>	<b>(28,544)</b>	<b>(23,312)</b>
<b>Total comprehensive loss for the year</b>	<b>(28,544)</b>	<b>(23,312)</b>

#### (b) Guarantees entered into by the Parent entity

Devine Limited and controlled entities have provided bank guarantees and surety bonds totaling \$21.7m at 31 December 2017 (December 2016: \$30.6m) relating to individual land developments and other aspects of the Company's operations. The guarantees and bonds are secured by charges over the assets of the respective entities or indemnities. No liabilities are expected to arise.

Devine Limited and in most instances, its joint venture partners have provided guarantees for the performance of the joint ventures for debt totaling \$35.8m at 31 December 2017 (December 2016: \$59.5m). The debt is secured against assets of the joint ventures with a recorded value of \$100.5m (December 2016: \$134.1m) and is to be repaid from the land sales of the joint ventures. No liabilities are expected to arise.

Devine Limited has guaranteed, under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, 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. No liabilities are expected to arise. For further information refer to Note 12.

#### (c) Contingent liabilities of the Parent entity

For further information about contingencies refer to Note 31.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 14. NON-CURRENT ASSETS – INVENTORIES

	31 December 2017 \$'000	31 December 2016 \$'000
Land held for sale		
Acquisition costs	30,357	47,612
Development costs capitalised	85,953	101,912
<b>Total non-current inventories - at the lower of cost and net realisable value</b>	<b>116,310</b>	<b>149,524</b>

### 15. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Leasehold improvements \$'000	Computer equipment \$'000	Other plant and equipment \$'000	Total \$'000
<b>Year ended 31 December 2017</b>				
Opening net book amount	1,132	217	28	1,377
Additions	-	3	-	3
Disposals	-	(10)	(21)	(31)
Assets written off	(3)	(1)	(42)	(46)
Depreciation charge	(810)	(83)	(22)	(915)
Depreciation write back on disposals and assets written off	1	10	57	68
<b>Closing net book amount</b>	<b>320</b>	<b>136</b>	<b>-</b>	<b>456</b>
<b>At 31 December 2017</b>				
Cost	2,352	528	241	3,121
Accumulated depreciation	(2,032)	(392)	(241)	(2,665)
<b>Net book amount</b>	<b>320</b>	<b>136</b>	<b>-</b>	<b>456</b>
<b>Year ended 31 December 2016</b>				
Opening net book amount	1,568	353	161	2,082
Additions	-	-	-	-
Disposals	(1)	(4)	(13)	(18)
Assets written off	(40)	(116)	(202)	(358)
Depreciation charge	(414)	(122)	(90)	(626)
Depreciation write back on disposals and assets written off	19	106	172	297
<b>Closing net book amount</b>	<b>1,132</b>	<b>217</b>	<b>28</b>	<b>1,377</b>
<b>At 31 December 2016</b>				
Cost	2,352	536	304	3,192
Accumulated depreciation	(1,220)	(319)	(276)	(1,815)
<b>Net book amount</b>	<b>1,132</b>	<b>217</b>	<b>28</b>	<b>1,377</b>



## 16. NON-CURRENT ASSETS – INTANGIBLE ASSETS/BRAND NAME

	31 December 2017 \$'000	31 December 2016 \$'000
Brand Name		
Cost	3,316	3,316
<b>Net book amount</b>	<b>3,316</b>	<b>3,316</b>

### Impairment tests for intangibles with indefinite useful lives

The Brand Name asset is tested for impairment using the Relief-from-Royalty method. The Relief-from-Royalty method is based on a hypothetical royalty (calculated as a percentage of revenue) that the owner would otherwise be willing to pay to use the asset – assuming it were not already owned.

The method uses 5 year baseline projections of revenue (including revenue from joint ventures) for the Group. The Group is considered to be the lowest level CGU appropriate for this valuation.

Royalty projections for the first 5 years are calculated based on 0.7% of revenue (2016: 0.7%) and a terminal value is extrapolated using a growth rate of 3% (2016: 3%) and a risk adjusted discount rate of 7.6% (2016: 10.04%). Royalty projections for first 5 years and the terminal value are adjusted by a tax rate of 30% (2016: 30%) and then discounted using the risk adjusted discount rate to arrive at a net present value (NPV).

Sensitivities to changes in key assumptions were considered and did not indicate circumstances in which the carrying value exceeded the NPV.

## 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	31 December 2017 \$'000	31 December 2016 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Accrued expenses	194	62
Doubtful debts	795	440
Employee benefits	89	594
Establishment fees	233	411
Inventories	5,149	3,933
Investment in associates	141	313
Provisions	1,642	1,355
Tax losses	3,291	9,252
Other	1	122
	<b>11,535</b>	<b>16,482</b>
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 22)	<b>(11,535)</b>	<b>(16,482)</b>
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>		
Opening balance	16,482	15,563
Credited/(charged) to the statement of comprehensive income	(4,947)	855
Prior year adjustments	-	64
Set-off	(11,535)	(16,482)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Current liabilities</b>		
Trade payables	3,863	25,509
Advances from joint ventures and other payables*	19,904	34,173
	<b>23,767</b>	<b>59,682</b>

\* December 2016 comparative, \$6m profit distribution by a joint venture included under 'Advances from joint ventures and other payables' is re-classified to 'Investments in joint ventures' for consistency with current year disclosures, refer Note 1(z) and Note 30(b)(ii).

### 19. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Secured</b>		
Bank loans*	46,617	17,290

\* Included in bank loans is a cash balance of \$0.9m (2016: (\$7.6m)). Under the MOF, these cash amounts are offset against the debt drawn.

#### (a) Total secured liabilities

Total secured liabilities are:

	31 December 2017 \$'000	31 December 2016 \$'000
Bank loans (current and non-current)	46,617	17,290

#### (b) Assets pledged as security

Bank loans are secured by mortgages over the consolidated entity's inventories including developed and undeveloped land. A fixed and floating charge over all the assets of the consolidated entity is also held by the consolidated entity's principal bankers.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Current</b>		
Cash and cash equivalents	295	863
Receivables	34,352	45,584
Inventories	40,999	37,190
Prepayments	1,218	670
<b>Total current assets pledged as security</b>	<b>76,864</b>	<b>84,307</b>
<b>Non-current</b>		
Receivables	9,451	15,850
Inventories	116,310	149,524
Investments accounted for using the equity method	19,215	4,441
Plant and equipment	456	1,377
Intangible assets	3,316	3,316
<b>Total non-current assets pledged as security</b>	<b>148,748</b>	<b>174,508</b>
<b>Total assets pledged as security</b>	<b>225,612</b>	<b>258,815</b>

## 19. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (CONTINUED)

### (c) Financing arrangements

At balance date, the following financing facilities had been negotiated and were available:

	31 December 2017 \$'000	31 December 2016 \$'000
Bank loans		
Total facilities limits*	63,000	52,707
Total facilities available	61,914	36,927
Used at balance date - including guarantees	51,132	23,142
Available at balance date	10,782	13,785

\* The total facility limit is available only if the Group has complying assets to provide as security.

## 20. PROVISIONS

	Employee \$'000	Warranties \$'000	Onerous operating lease \$'000	Makegood \$'000	Total \$'000
At 1 January 2017	1,905	1,346	978	428	4,657
Arising during the year	678	1,542	92	55	2,367
Utilised	(1,528)	(1,161)	(321)	-	(3,010)
<b>At 31 December 2017</b>	<b>1,055</b>	<b>1,727</b>	<b>749</b>	<b>483</b>	<b>4,014</b>
Current	766	1,727	99	-	2,592
Non-current	289	-	650	483	1,422
At 31 December 2016	1,905	1,346	978	428	4,657
Current	1,552	1,346	267	-	3,165
Non-current	353	-	711	428	1,492

## 21. NON-CURRENT LIABILITIES – ADVANCES AND OTHER PAYABLES

	31 December 2017 \$'000	31 December 2016 \$'000
Advances from joint ventures and other payables	4,709	2,294

The fair value of non-current advances from joint ventures and other payables is equal to their carrying values.

The fair values are based on estimated future cash flows considering the balance of amounts outstanding, the expected timing of payments and the interest cost implicit in these payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

## 22. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	31 December 2017 \$'000	31 December 2016 \$'000
The balance comprises temporary differences attributable to:		
Accrued expenses	-	583
Brand name	995	995
Inventories	10,490	14,758
Other	50	146
	<b>11,535</b>	16,482
Set-off of deferred tax assets pursuant to set-off provisions (Note 17)	<b>(11,535)</b>	(16,482)
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>
Movements:		
Opening balance	<b>16,482</b>	14,135
Charged to statement of comprehensive income	<b>(4,947)</b>	2,401
Prior year adjustments	-	(54)
Set off	<b>(11,535)</b>	(16,482)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

## 23. CONTRIBUTED EQUITY

### (a) Share capital

	31 December 2017 Shares	31 December 2016 Shares	31 December 2017 \$'000	31 December 2016 \$'000
Ordinary shares - fully paid	<b>158,730,556</b>	158,730,556	<b>292,367</b>	292,367

### (b) Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 January 2017	Opening balance	158,730,556	292,367
31 December 2017	Closing balance	158,730,556	292,367

## 23. CONTRIBUTED EQUITY (CONTINUED)

### (c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group and the Parent entity monitor capital adequacy on the basis of the overall gearing of the Group and the unused facilities available to it.

The gearing ratios are as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Interest and non-interest bearing loans and borrowings	46,617	17,290
Less: Cash and cash equivalents	(295)	(863)
<b>Net debt</b>	<b>46,322</b>	<b>16,427</b>
Total assets	225,612	258,815
Less: Cash and cash equivalents	(295)	(863)
<b>Assets</b>	<b>225,317</b>	<b>257,952</b>
<b>Gearing ratio</b>	<b>20.6%</b>	<b>6.4%</b>

## 24. RESERVES AND RETAINED EARNINGS/(ACCUMULATED LOSSES)

### (a) Reserves

	31 December 2017 \$'000	31 December 2016 \$'000
Share based payment reserve	336	331
<b>Movements:</b>		
<i>Share-based payments reserve</i>		
Opening balance	331	355
Share based payment expense/(benefit)*	5	(24)
<b>Closing balance</b>	<b>336</b>	<b>331</b>

\* December 2016 the benefit relates to performance rights that lapsed as a result of the employee resigning.

### (b) Retained earnings/(accumulated losses)

Movements in retained earnings/(accumulated losses) were as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Opening balance	(117,806)	(79,917)
Net loss for the year	(28,392)	(37,889)
<b>Closing balance</b>	<b>(146,198)</b>	<b>(117,806)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

## 25. NOTES TO STATEMENT OF CASHFLOWS

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Reconciliation of loss after income tax to net cash flows from operations		
Loss for the year	(28,392)	(37,889)
<b>Non-cash items</b>		
Net interest capitalised	(1,669)	4,638
Profit/(loss) from joint ventures & sale of subsidiaries not received as cash	(6,002)	4,496
Depreciation and amortisation	915	626
Movements in impairment provisions	(66)	(3,732)
Non-cash employee expense/(benefit) - share-based payments	5	(24)
(Gain)/loss on sale and write off of plant and equipment	(11)	64
Impairment of inventory	3,250	3,500
Other impairments	7,125	2,147
Net gain on sale of equity accounted investments	-	(93)
<b>Change in operating assets and liabilities:</b>		
Decrease/(increase) in trade and sundry debtors	13,424	(2,295)
Decrease in inventories	13,708	70,861
(Increase)/decrease in prepayments	(558)	428
(Decrease) in trade creditors and accruals	(27,748)	(35,648)
Increase in deferred income tax	-	1,428
(Decrease)/increase in other provisions	(642)	2,801
<b>Net cash (outflow)/inflow from operations</b>	<b>(26,661)</b>	<b>11,308</b>

## 26. COMMITMENTS

### Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Within one year	1,775	2,362
Later than one year but not later than five years	3,913	5,650
	<b>5,688</b>	<b>8,012</b>

The Group has entered into operating leases on certain equipment and office premises with lease terms between one and four years.



## 27. SHARE-BASED PAYMENTS

### (a) Long Term Incentive (LTI) Plan

The LTI plan was approved by the shareholders in November 2013.

LTI awards made under the plan are delivered in the form of performance rights, which are granted for no cost and entitle the executive to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Board. During the 2017 financial year there were no LTI's awarded (2016: nil LTI's were awarded). The performance rights issued in September 2013 and February 2015 are for a term of 3 years and vest automatically on the satisfaction of both the service condition and performance hurdles in September 2016 and February 2018 respectively.

The performance rights cannot be transferred and are not quoted on the ASX. At 31 December 2017 there was 1 senior executive participating in the plan (December 2016: 2 senior executives). When exercised each performance right is converted into one ordinary share in Devine Limited.

Information with respect to the performance rights granted under the LTI plan is as follows:

#### 31 December 2017

Grant date	Expiry date	Balance at start of the year Number	Granted during the year Number	Lapsed during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
18 Feb 2015	27 Feb 2018	42,447	-	-	-	42,447	-
Weighted average FV	(Feb 15)	\$0.81				\$0.81	

#### 31 December 2016

Grant date	Expiry date	Balance at start of the year Number	Granted during the year Number	Lapsed during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
16 Sept 2013	30 Sept 2016	571,326	-	(380,884)	(190,442)	-	-
18 Feb 2015	27 Feb 2018	127,873	-	-	(85,426)	42,447	-
Weighted average FV	(Sept 13)	\$1.05				-	
Weighted average FV	(Feb 15)	\$0.81				\$0.81	

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 27. SHARE-BASED PAYMENTS (CONTINUED)

#### (a) Long Term Incentive (LTI) Plan (continued)

##### Fair value of performance rights granted

The assessed fair value at grant date of the performance rights has been independently determined using option pricing models that take into account the exercise price, the term of the securities, the current price of the underlying securities, the expected volatility of the security price, the expected dividend yield and the risk-free rate for the term of the security. The fair value of the performance rights has been determined using Monte Carlo simulation or the Black Scholes option pricing model as appropriate. Assumptions used for the fair value of the performance rights are as follows:

Assumptions used for the fair value of the performance rights are as follows:

Grant Date	16 Sept 2013
Performance hurdles	50% TSR and 50% EPS
Performance testing date	Earlier of 16 Sept 2016 or release of the 30 June 2016 financial results
Closing share price at grant date	\$1.26
Exercise price	\$Nil
Expected life	3 years
Volatility	35.2%
Risk-free interest rate (p.a.)	2.91%
Annual dividend yield	0%

Grant Date	18 Feb 2015
Performance hurdles	50% TSR and 50% EPS
Performance testing date	Earlier of 1 Feb 2018 or release of the 31 December 2017 financial results
Closing share price at grant date	\$0.945
Exercise price	\$Nil
Expected life	3 years
Volatility	50%
Risk-free interest rate (p.a.)	1.9%
Annual dividend yield	0%

##### Performance hurdles:

The performance measures used to determine vesting is a combination of relative total shareholder return (TSR) and growth in earnings per share (EPS). TSR performance is monitored by an independent external advisor and the Board has the discretion to determine the basis on which the EPS compound annual growth rate will be measured.

#### (b) Executive share option scheme

The Executive share option scheme has historically been offered to executives, however, this scheme has been replaced by the LTI plan approved by shareholders in November 2013. No further options over Devine Limited shares will be issued. The existing options expired during the December 2016 financial year.



## 27. SHARE-BASED PAYMENTS (CONTINUED)

### (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Expense/(benefit) arising from share based payments	5	(24)

## 28. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided to Devine Limited by its auditor and their related practices:

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
<b>Ernst &amp; Young</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	249,302	252,721
<b>Total remuneration for audit and other assurance services</b>	<b>249,302</b>	<b>252,721</b>
<b>Taxation services</b>		
Tax compliance and advisory services	41,195	32,345
<b>Total remuneration for taxation services</b>	<b>41,195</b>	<b>32,345</b>
Total remuneration of Ernst & Young	290,497	285,066

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 29. RELATED PARTY TRANSACTIONS

#### (a) Parent entities

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construccion y Servicios SA, incorporated and listed in Spain. There were no transactions between the Group and HOCHTIEF Australia Holdings Limited and nor between the Group and Actividades de Construccion y Servicios SA during the financial year (December 2016: nil).

The Group, through its relationship with its majority shareholder, has access to competitive rates in respect of information technology products and services and travel services. Amounts totaling nil for information technology services (December 2016: nil) and \$102,366 for travel services (December 2016: \$144,783) were paid or payable. These fees were determined under normal commercial terms and conditions.

During the 2017 financial year, CIMIC Admin Services Pty Ltd invoiced the Company for Directors' fees totaling \$105,000 (2016: \$91,452) and issued a credit note for travel costs relating to 2016 totaling \$1,290 (2016: invoice totalling \$1,290).

During the 2017 financial year, CPB Contractors Pty Ltd, a wholly owned subsidiary of CIMIC Group Limited invoiced the Company \$269,025 (2016: \$820,050) for secondment of construction contractors and \$24,800 (2016:nil) for workspaces rented by the Group in the CPB Victoria office.

The Group invoiced CPB Contractors Pty Ltd \$386,638 (2016: \$171,272) for rent and outgoings on the premises in Victoria which they were sub-letting until October 2017.

During the 2017 financial year, the Group also invoiced Broad Construction Services (QLD) Pty Ltd a wholly owned subsidiary of CIMIC Group Limited \$73,251 (2016:nil).

#### (b) Directors

There have been no transactions with Directors or their related parties for the financial year ended 31 December 2017 (December 2016: nil).

#### (c) Loans to key management personnel

No loans were secured or made during the financial year ended 31 December 2017 (December 2016: nil).

#### (d) Other transactions with key management personnel

There have been no transactions with key management personnel or their related parties for the financial year ended 31 December 2017 (December 2016: nil).

#### (e) Compensation of key management personnel of the Group

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Short-term employee benefits	1,036,146	1,395,469
Post-employment benefits	48,914	82,287
Termination payments	-	101,194
Share-based payments	-	(62,647)
	<b>1,085,060</b>	<b>1,516,303</b>



## 29. RELATED PARTY TRANSACTIONS (CONTINUED)

### (f) Revenue from related parties

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Finance income from related parties	66	86
Other revenue from related parties	451	171
Revenue from property development - related joint ventures	3,530	4,616
Revenue from construction services - related joint ventures	17,025	14,765
	<b>21,072</b>	<b>19,638</b>

### (g) Amounts owed by related parties

	31 December 2017 \$'000	31 December 2016 \$'000
Trade and other receivables owing by related parties	5,092	5,953
Less: Provision for impairment	(1,400)	(1,400)
Trade and other receivables owing by joint ventures	1,218	1,772
Less: Provision for impairment	-	(66)
Loans advanced to joint ventures	21,326	25,543
	<b>26,236</b>	<b>31,802</b>

### (h) Amounts owed to related parties

	31 December 2017 \$'000	31 December 2016 \$'000
Trade payables to related parties	414	737
Loans advanced by joint ventures	20,985	26,390
	<b>21,399</b>	<b>27,127</b>

### (i) Guarantees

Devine Limited and in most instances its joint venture partners, have provided guarantees for the performance of the joint ventures for debt totaling \$35.8m at 31 December 2017 (December 2016: \$59.5m). The debt is secured against assets of the joint ventures with a recorded value of \$100.5m (December 2016: \$134.1m) and is to be repaid from the land and apartment sales of the joint ventures. No liabilities are expected to arise.

### (j) Terms and conditions

Transactions with related parties are made on normal commercial terms and conditions and at market rates. Loans advanced to joint ventures mainly relate to interest free working capital funding provided by the Company to joint ventures and loans advanced by joint ventures relate to interest free advances received by the Company from joint ventures in relation to land availability agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 30. INTERESTS IN JOINT ARRANGEMENTS

#### (a) Joint operations

##### Joint operations ownership interest

At balance date, the Group had interests in a number of joint operations and these are listed below.

Each joint operation is resident in Australia and their principal activity is property development.

	Ownership interest %	
	31 December 2017	31 December 2016
Bacchus Marsh – Stonehill, Victoria*	-	50
Casey Fields - Parks Edge, Victoria**	55	55
Henry Road Pakenham – Edenbrook, Victoria	50	50

\* During the year, the Group and its joint operation (JO) partner of the Bacchus Marsh – Stonehill, Victoria joint arrangement sold their respective interests in the joint arrangement to Townsville City Project Trust (a 50% owned joint venture of the Group). The Group maintains its 50% interest in the Stonehill development. Also refer Notes 30(b)(ii)&(iii).

\*\* The Group has an ownership interest greater than 50% but does not have the power to direct the relevant activities of the operation. Accordingly the joint operation is not required to be consolidated.

The Group has included its interests generated by these joint operations the assets employed, liabilities incurred, revenue and expenses in the appropriate line items in the consolidated statement of financial position and consolidated statement of comprehensive income in accordance with the accounting policy set out in Note 1(c).

#### (b) Joint ventures

##### (i) Joint ventures ownership interest

At balance date, the Group had equity interests in a number of joint ventures and these are listed below. Each joint venture is resident in Australia and their principal activity is property development.

	Ownership interest %	
	31 December 2017	31 December 2016
Hamilton Harbour Unit Trust	50	50
Townsville City Project Trust	50	50
Wallan Project Trust	50	50
DoubleOne 3 Unit Trust	50	50
Mode Apartments Unit Trust	50	50

All joint ventures have a year end of 30 June except for Mode Apartments Unit Trust which has a 31 December year end. The joint ventures with a 30 June year end have a different year end to the Group as they have remained consistent with the reporting date adopted at the inception of the arrangement.



### 30. INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

#### (b) Joint ventures (continued)

##### (ii) Share of joint ventures' net assets

The Group's share of assets and liabilities of joint ventures which are individually immaterial are as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Current assets*	40,193	44,285
Non-current assets	23,968	9,053
<b>Total Assets</b>	<b>64,161</b>	<b>53,338</b>
Current liabilities	15,242	31,368
Non-current liabilities	29,704	17,529
<b>Total Liabilities</b>	<b>44,946</b>	<b>48,897</b>
<b>Net Assets*</b>	<b>19,215</b>	<b>4,441</b>

\* December 2016 comparative, \$6m profit distribution by a joint venture included under 'Advances from joint ventures and other payables' is re-classified to 'Investments in joint ventures' for consistency with current year disclosures, refer Note 1(z) and Note 18.

December 2017 Group's share of assets and liabilities of joint ventures include the 50% interest acquired in Stonehill development by Townsville City Project Trust during the year through a business combination. Also refer Notes 30(a) and 30(b)(iii).

The Group's share of the joint venture entities' statement of financial position reflects carrying values after write-down of inventory.

##### (iii) Share of joint venture entities' results

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Summarised statement of joint venture entities' comprehensive income</b>		
Revenue*	57,600	811
Gain from bargain purchase**	12,316	-
Expenses***	(57,912)	(9,803)
Profit/(loss) for the year and total comprehensive profit/(loss) for the year	12,004	(8,992)
Group's share of profit / (loss) and total comprehensive profit/ (loss) for the year	6,002	(4,496)

\* December 2017 joint venture revenue includes sale revenue from 111 residential apartments and management rights in Mode Apartments complex, Brisbane and 62 allotments at Newbridge, Wallan community, Victoria.

\*\* During the year, Townsville City Project Trust recognised a \$12.3m gain from a bargain purchase of 100% interest in Stonehill development from the Group and its joint operation (JO) partner of the Bacchus Marsh – Stonehill, Victoria joint arrangement through a business combination. The Group recognised its share of joint venture entities' gain of \$6.2m through the equity method and also recognised an equivalent amount of loss on sale of 50% interest in Bacchus Marsh – Stonehill, Victoria joint arrangement, overall a net nil impact to the Group results; refer Notes 30(a), 30(b)(ii) and 4(a).

\*\*\* Expenses also include any impairments and adjustments to the carrying value of investment.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 31. CONTINGENCIES

#### Contingent liabilities

The Group had contingent liabilities at 31 December 2017 in respect of:

#### (i) Guarantees

The Group has provided the following guarantees:

The Group and controlled entities have provided bank guarantees and surety bonds totaling \$21.7m at 31 December 2017 (December 2016: \$30.6m) relating to individual land developments and other aspects of the Company's operations. The guarantees and bonds are secured by charges over the assets of the respective entities or indemnities. No liabilities are expected to arise.

The Group and, in most instances, its joint venture partners have provided guarantees for the performance of the joint ventures for debt totaling \$35.8m at 31 December 2017 (December 2016: \$59.5m). The debt is secured against assets of the joint ventures with a recorded value of \$100.5m (December 2016: \$134.1m) and is to be repaid from the property sales of the joint ventures. No liabilities are expected to arise.

#### (ii) Litigation

There are a small number of matters that are the subject of litigation or potential litigation with different parties. A provision is raised in the financial statements, based on estimates, where legal or other advice indicates that it is probable that the Group will incur costs either in progressing its investigation of the claim or ultimately in settlement.

Also refer Note 13(c).

### 32. SEGMENT INFORMATION

#### (a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as key management personnel and the Board.

The discontinued housing segment incorporates the detached housing, medium density and wholesale housing businesses as reported in the prior year.

#### (b) Operating segments

12 months ended 31 December 2017	Communities \$'000	Development \$'000	Construction \$'000	Corporate \$'000	Total continuing operations \$'000	Housing \$'000	Consolidated Total \$'000
Total sales revenue ***	26,263	1,714	17,771	-	45,748	3,782	49,530
Other revenue	560	-	338	-	898	48	946
Finance income	428	1	6	(62)	373	6	379
<b>Total segment revenue</b>	<b>27,251</b>	<b>1,715</b>	<b>18,115</b>	<b>(62)</b>	<b>47,019</b>	<b>3,836</b>	<b>50,855</b>
Segment result	(5,069)	2,222	(13,960)	(4,595)	(21,402)	(895)	(22,297)
Write down of inventory**	(4,500)	(1,610)	-	-	(6,110)	-	(6,110)
Takeover costs	-	-	-	15	15	-	15
<b>Segment result</b>	<b>(9,569)</b>	<b>612</b>	<b>(13,960)</b>	<b>(4,580)</b>	<b>(27,497)</b>	<b>(895)</b>	<b>(28,392)</b>
Loss before income tax					(27,497)	(895)	(28,392)
Income tax expense					-	-	-
<b>Loss for the year</b>					<b>(27,497)</b>	<b>(895)</b>	<b>(28,392)</b>

As at 31 December 2017:

<b>Segment assets</b>	191,798	12,228	17,514	4,070	225,610	2	225,612
<b>Segment liabilities *</b>	23,801	20	5,442	49,537	78,800	307	79,107
<b>Other segment information</b>							
Investments in joint ventures	14,599	4,616	-	-	19,215	-	19,215
Share of net profits/ (losses) of joint ventures	6,105	(103)	-	-	6,002	-	6,002

\* Corporate liabilities reflect borrowings by the Group which are made available to operating divisions as required to fund operations.

\*\* Write down of inventory also includes the Group's share of inventory write down taken up within the joint venture entities

\*\*\* During the period, one customer within the construction segment contributed to more than 10% of the Group revenue.



## 32. SEGMENT INFORMATION (CONTINUED)

### (b) Operating segments (continued)

12 months ended 31 December 2016	Communities \$'000	Development \$'000	Construction \$'000	Corporate \$'000	Total continuing operations \$'000	Housing \$'000	Consolidated Total \$'000
Total sales revenue**	92,791	11,594	87,788	-	192,173	33,264	225,437
Other revenue	1,032	415	-	50	1,497	118	1,615
Finance income	122	1	15	384	522	17	539
<b>Total segment revenue</b>	<b>93,945</b>	<b>12,010</b>	<b>87,803</b>	<b>434</b>	<b>194,192</b>	<b>33,399</b>	<b>227,591</b>
Segment result	(3,299)	(9,505)	(14,509)	(7,548)	(34,861)	1,883	(32,978)
Write down of inventory	(3,500)	-	-	-	(3,500)	-	(3,500)
Takeover costs	-	-	-	17	17	-	17
<b>Segment result</b>	<b>(6,799)</b>	<b>(9,505)</b>	<b>(14,509)</b>	<b>(7,531)</b>	<b>(38,344)</b>	<b>1,883</b>	<b>(36,461)</b>
Loss before income tax					(38,344)	1,883	(36,461)
Income tax expense					(863)	(565)	(1,428)
<b>Loss for the year</b>					<b>(39,207)</b>	<b>1,318</b>	<b>(37,889)</b>
<b>As at 31 December 2016:</b>							
<b>Segment assets</b>	213,776	8,952	28,044	4,223	254,995	3,820	258,815
<b>Segment liabilities *</b>	34,768	1,047	14,720	32,713	83,248	675	83,923
<b>Other segment information</b>							
Investments in joint ventures	-	4,441	-	-	4,441	-	4,441
Share of net losses of joint ventures	2	(4,498)	-	-	(4,496)	-	(4,496)

\* Corporate liabilities reflect borrowings by the Group which are made available to operating divisions as required to fund operations (excluding specific project funding).

\*\* During the period, two customers within the construction segment contributed to more than 10% of the Group revenue.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 33. EARNINGS PER SHARE

#### (a) Basic and diluted earnings per share attributable to the ordinary equity holders of the Company

	31 December 2017 Cents	31 December 2016 Cents
Earnings per share for continuing operations	(17.3)	(24.7)
Total basic and diluted earnings per share	(17.9)	(23.9)

#### (b) Reconciliation of earnings used in calculating earnings per share

	31 December 2017 \$'000	31 December 2016 \$'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share		
Continuing operations earnings	(27,497)	(39,207)
Total earnings	(28,392)	(37,889)

#### (c) Weighted average number of shares used as denominator

	31 December 2017 Number	31 December 2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	158,730,556	158,730,556

Options and performance rights granted to employees are only included in the determination of diluted earnings per share to the extent they are considered potentially dilutive.

#### 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.

### 34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events which have occurred post 31 December 2017.

### 35. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise of interest bearing loans, advances and other payables and financial guarantees. The main purpose of these financial liabilities is to finance and guarantee the Group's operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents, which it derives from its operations. The Group can also enter into derivatives such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and not as trading or other speculative instruments.

The Board provides oversight of the overall risk management framework and liquidity risk, as well as policies covering specific areas of interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. If the Group's core banking facility has a maturity date in excess of twelve months then it may maintain at least 50% of its borrowings at fixed rates using interest rate derivatives to achieve this. During the financial year ended 31 December 2017 and year ended 31 December 2016, the Group's borrowings at variable rates were denominated in Australian Dollars.

In past years the Group has managed its cash flow interest rate risk by using floating to fixed interest rate and other derivatives. Such interest rate derivatives had the economic effect of converting borrowings from floating rates to fixed rates. Under interest rate derivatives, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	31 December 2017		31 December 2016	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	3.37%	46,617	4.35%	17,290
Net exposure to cash flow interest rate risk		46,617		17,290

December 2017 outstanding borrowing relates to the MOF and this facility expires on 31 March 2018 (refer Note 1(a) (iv)).

#### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions to be accepted, they must be Australian registered banks or institutions recognised by the Australian Prudential Regulation Authority (APRA) as Authorised Deposit-taking Institutions (ADIs) and have an independent external rating of at least the equivalent of Standard & Poor's (S&P) BBB. The Group's activities are centered around the development and sale of real estate (housing, residential land, residential units and retail/commercial office developments) and title does not transfer until settlement has occurred. Sales to individual customers are settled predominantly with financial institutions at the time the properties are settled. The Group from time to time, enters into arrangements with business and joint venture partners. Credit risk further arises in relation to financial guarantees, vendor funding, and other receivables with business and joint venture partners, which if material, either individually or in aggregate to a single party, are subject to board approval.

##### (i) Credit quality

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Receivables</b>		
Trade receivables	46	1,449
Contract debtors	17,502	27,891
Joint venture loans and other receivables	26,255	32,094
	43,803	61,434
<b>Cash at bank and short-term bank deposits</b>		
AA-	295	494
A-	-	369
	295	863

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury endeavors to maintain flexibility in funding by keeping committed credit lines available with multiple counterparties. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

#### Financing arrangements

The Group had access to the following undrawn borrowing facility at the end of the reporting period:

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Floating rate Bank loans	<b>10,782</b>	13,785

December 2017 and 2016 undrawn borrowing facility relates to the MOF which expires on 31 March 2018 (refer Note 1(a) (iv)).

#### Maturities of financial liabilities

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

#### Contractual maturities of financial liabilities

	Less than 6 months \$'000	Between 6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
<b>At 31 December 2017</b>						
<b>Non-derivatives</b>						
Trade and other payables	20,527	3,240	4,709	-	-	28,476
Interest bearing loans	47,028	-	-	-	-	47,028
<b>Total non-derivatives</b>	<b>67,555</b>	<b>3,240</b>	<b>4,709</b>	<b>-</b>	<b>-</b>	<b>75,504</b>
<b>At 31 December 2016</b>						
<b>Non-derivatives</b>						
Trade and other payables	17,606	42,087	1,087	1,122	74	61,976
Interest bearing loans	17,510	-	-	-	-	17,510
<b>Total non-derivatives</b>	<b>35,116</b>	<b>42,087</b>	<b>1,087</b>	<b>1,122</b>	<b>74</b>	<b>79,486</b>

These amounts represent the contractual values, not the carrying amounts or fair values.

#### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As at 31 December 2017 and 2016 the Group held no derivatives. All other financial assets and liabilities are measured at their carrying values which are considered to approximate fair value.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



### 36. DISCONTINUED OPERATIONS

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Revenue	3,836	33,399
Expenses	(4,719)	(31,303)
<b>Operating (loss)/income</b>	<b>(883)</b>	<b>2,096</b>
Finance expenses	(12)	(213)
<b>(Loss)/profit before income tax from discontinued operations</b>	<b>(895)</b>	<b>1,883</b>
Income tax expense	-	(565)
<b>(Loss)/profit after tax from discontinued operations</b>	<b>(895)</b>	<b>1,318</b>

Refer Note 32 for more details on discontinued operations.

The net cash flows incurred by the discontinued operations are as follows:

	12 months to December 2017 \$'000	12 months to December 2016 \$'000
Operating	2,555	3,300
<b>Net cash inflow</b>	<b>2,555</b>	<b>3,300</b>

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# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2017

In the Directors' opinion:

- (a) the Financial statements and notes of Devine Limited for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 11 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 12.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



D P Robinson  
Chairman

Brisbane  
27 February 2018



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## Independent Auditor's Report to the Members of Devine Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Devine Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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# INDEPENDENT AUDITOR'S REPORT

CONTINUED



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### 1. Going concern

Refer to Note 1(a)(iv) to the financial statements.

Why significant	How our audit addressed the key audit matter
<p>At 31 December 2017, the senior finance borrowing facility of the Group of \$46.6m was classified as a current liability due to its maturity on 31 March 2018.</p> <p>Note 1(a)(iv) to the financial statements, states that the Directors noted that if the senior finance borrowing facility is not re-financed by 31 March 2018, the Group currently does not have the immediate capacity to repay the facility in full nor does it currently have readily available alternate sources of liquidity.</p> <p>Accordingly, the Directors' assessment as to the ability of the Group to continue as a going concern was a key audit matter.</p>	<p>We enquired with the Group and assessed the completeness of Devine's liabilities, forecast timing and quantum of cash flows, and the assumptions used by the Group in assessing Devine's liquidity position and funding requirements.</p> <p>We evaluated the assumptions and forecasts made by the Group in the 2018/2019 Budget.</p> <p>In obtaining sufficient audit evidence, we:</p> <ul style="list-style-type: none"> <li>▶ Assessed the process undertaken to develop the Group's cash flow forecast that feeds into the budget at a project level, assessed the key assumptions for this forecast, and enquired with project managers for key projects.</li> <li>▶ Confirmed with the financier that the financial covenants applicable to the facilities were not required to be tested at 31 December 2017.</li> <li>▶ Assessed the Group's liquidity analysis.</li> <li>▶ Reviewed the Group's gearing levels on forecast projects.</li> <li>▶ Considered correspondence from the financier and its historical relationship and lending practices with Devine as part of this assessment.</li> <li>▶ Assessed the adequacy of the Group's disclosures in respect of the going concern basis of the financial statements.</li> </ul>

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## 2. Recoverability of inventory

Refer to Note 2, 9, 14 and 29 to the financial statements.

Why significant	How our audit addressed the key audit matter
<p>The recoverability of the land and apartments development portfolio is heavily influenced by fluctuations in the property market in Australia and other uncertain elements such as availability of finance for home-owners and investors.</p> <p>The Group reviewed its land holdings and development projects to ensure each individual land holding or development project was valued at the lower of cost and net realisable value in accordance with Australian Accounting Standards.</p> <p>Given the complexity of the estimation process, and the significant judgments the Group made concerning sales rates, land pricing, expected dates of completion, the level of debt used to finance projects and the estimation of future development costs, this was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Compared the Group's current forecast assumptions to recent actual project performance (e.g. sales prices, sales rates and margins achieved) during the period.</li> <li>▶ Considered the impact of sales achieved subsequent to the assessment being made against the forecast and business plan.</li> <li>▶ Enquired of the Group to understand changes in key feasibility assumptions since the previous assessment was made and original feasibility based on current market conditions, and changes in strategy adopted in the revised feasibilities.</li> <li>▶ For estates and projects considered higher risk due to their location, expected duration of the project or lower margins forecast to be derived, we assessed the key assumptions in the feasibilities. We involved our real estate valuation specialists to evaluate the key assumptions in these projects such as pricing, sales rates and revenue escalation.</li> <li>▶ For sites identified for potential englobo sales, we assessed external market information including recent external valuations, sales contracts and estimates provided by sales agents for indicative sales prices.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

CONTINUED



### 3. Estimates of construction contract losses

Refer to Note 1(d) (iv), 1(h) (i), 2, 3 and 31 of the financial statements

Why significant	How our audit addressed the key audit matter
<p>In prior periods the Group identified and completed a number of loss making construction projects.</p> <p>A number of matters have arisen from these projects which have resulted in material insurance or legal claims made by the Group against third parties, or unapproved variation claims against the developer engaging Devine Constructions to complete the construction works.</p> <p>At 31 December 2017, a number of these claims remain unsettled. At the balance date, the Group recognised amounts expected to be recovered as part of calculating its best estimate of the total expected loss on each construction project.</p>	<p>We considered the Group's calculation of estimates associated with Devine's construction contracts, made enquires with the Group to understand the positions taken at balance date.</p> <p>For a sample of claims we undertook the following:</p> <ul style="list-style-type: none"> <li>▶ Examined documentation to support the Group's basis of the amounts claimed.</li> <li>▶ Assessed external insurance related correspondence and enquired with the Directors to assess the positions taken on each project.</li> <li>▶ Examined actual recoveries in the current period relating to claims which had been recorded in the prior year and assessed the reliability of management's forecasted losses.</li> <li>▶ Considered legal correspondence with respect to the strength of the positions taken on each project.</li> </ul>

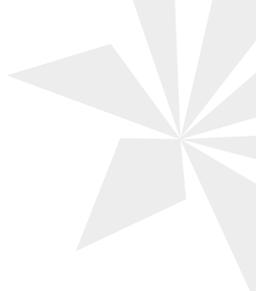
### 4. Revenue recognition and measurement

Refer to Note 1(d), 3, 31 of the financial statements

Why significant	How our audit addressed the key audit matter
<p>Revenue was a key audit matter because judgment is involved in determining at what point in time there is sufficient certainty for revenue to be recognised and in estimating the amount recognised.</p> <p>This is particularly relevant for non-routine sales of major developments, projects or joint arrangements, which had a material impact on the results for the period.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the Group's processes and controls related to the measurement and timing of revenue recognition.</li> <li>▶ Tested material sales transactions and a sample of sales transactions taking place before and after the balance sheet date to determine whether those transactions were recognised in the correct period.</li> <li>▶ Assessed revenue recognised from non-routine sales, such as englobos sales, sales of Devine's share in Joint Ventures, and sales of larger parcels of land within developments, to evaluate whether the recognition complied with Australian Accounting Standards.</li> <li>▶ Assessed the adequacy of the related financial report disclosures.</li> </ul>

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### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report. We expect to obtain the Chairman's and Chief Executive Officer's Review, the Corporate Governance Statement, Shareholder Information and Notice of Meeting after the date of our auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

# INDEPENDENT AUDITOR'S REPORT

CONTINUED



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Devine Limited for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ric Roach  
Partner  
Brisbane  
27 February 2018

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# SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 1 MARCH 2018.

## A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Holding	Class of equity security			
	Ordinary shares		Performance rights	
	Holders	No of shares	Holders	No of performance rights
1-1,000	679	176,462	-	-
1,001 - 5,000	466	1,109,409	-	-
5,001-10,000	133	1,008,744	-	-
10,001-100,000	248	6,976,327	-	-
100,001 and over	47	149,459,614	-	-
	1,573	158,730,556	-	-

There were 765 holders of less than a marketable parcel of ordinary shares (\$500)

## B. EQUITY SECURITY HOLDERS

Twenty largest quoted entity security holders.

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary Shares	
	Number held	Percentage of issued shares
CIMIC Residential Investments Pty Ltd	93,831,265	59.11
Brazil Farming Pty Ltd	31,326,395	19.74
J P Morgan Nominees Australia Limited	5,984,307	3.77
Luton Pty Ltd	3,253,946	2.05
HSBC Custody Nominees (Australia) Limited	2,385,885	1.50
Mr Sean Anthony Dennehy	1,632,859	1.03
Hugh Green Foundation	860,000	0.54
Mr Graham Neil Stucley + Dr Kathryn Diane Arthurson <G Stucley Super Fund A/C>	837,447	0.53
Mr Gerald Francis Pauley + Mr Michael James Pauley <Pauley Super Fund A/C>	805,976	0.51
Broadmeadows Nominees Pty Ltd <Gilbert Family S/F No 3 A/C>	592,527	0.37
Mr Peter Howells	505,000	0.32
National Nominees Limited	449,094	0.28
Takita Exploration Pty Limited	431,275	0.27
Mr Steven Fahey + Mrs Lynette Fahey <SF Superannuation A/C>	424,872	0.27
Mr John Robert Dillon	400,000	0.25
Bond Street Custodians Limited <Forager Wholesale Value FD>	380,741	0.24
John E Gill Trading Pty Ltd	353,391	0.22
Savoir Superannuation Pty Ltd <Locope Super Fund A/C>	350,000	0.22
Citicorp Nominees Pty Limited	342,045	0.22
Ocean Capital Pty Limited	320,000	0.20
	145,467,025	91.64

## C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage of issued shares
<b>Ordinary shares</b>		
CIMIC Residential Investments Pty Ltd	93,831,265	59.11%
Brazil Farming Pty Ltd	31,326,395	19.74%
	125,157,660	78.85%

## D. VOTING RIGHTS

The voting rights attaching to each class of equity security are set out as follows:

### Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Performance rights

No voting rights.

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**Devine**  
GROUP

**Devine Limited**

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