

## Appendix 4E

### Full Year final report

Name of Entity

**Devine Limited**

ABN

**51 010 769 365**

Reporting period (12 months to 31 December 2018)

**31 December 2018**

Reporting period (12 months to 31 December 2017)

**31 December 2017**

#### Results for announcement to the market

**\$A'000**

Revenue from ordinary activities <sup>1</sup>	up	<b>13%</b>	to	<b>56,897</b>
Loss after tax from ordinary activities attributable to members	down	<b>-11%</b>	to	<b>(25,193)</b>
Loss after tax attributable to members	down	<b>-11%</b>	to	<b>(25,193)</b>

<sup>1</sup>Revenue from ordinary activities for 12 months to December 2017 has been re-stated to include other operating revenue of \$1m.

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

Not applicable

#### Details of Reporting Period

Current reporting period	<b>Twelve (12) months to 31 December 2018</b>
Previous corresponding period	<b>Twelve (12) months to 31 December 2017</b>

#### Commentary on results

Refer to the attached financial statements for the year ended 31 December 2018.

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

Date the dividend (distribution) is payable

**N/A**

Record date to determine entitlements to the dividend (distribution) (i.e. on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)

**N/A**

If it is a final dividend, has it been declared?

**N/A**

**Dividends** : It is not proposed to pay dividends

		Amount per security	Franked amount per security at 30% tax
<b>Final dividend:</b>	Current period	nil	nil
	Previous year	nil	nil
<b>Interim dividend:</b>	Current period	nil	nil
	Previous year	nil	nil

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

<b>N/A</b>
------------

**Net Tangible Assets per security (NTA)**

	31 December 2018 \$	31 December 2017 \$
Basic and Diluted NTA	<b>\$ 0.57</b>	<b>\$ 0.90</b>

**Earnings per security (EPS)**

	31 December 2018 cents	31 December 2017 cents
Basic and Diluted EPS	<b>(15.9) cents</b>	<b>(17.9) cents</b>

**Compliance statement**

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

Identify other standards used

N/A

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

- 3 This report does give a true and fair view of the matters disclosed

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



The accounts have been audited.



The accounts have been subject to review.



The accounts are in the process of being audited or subject to review.



The accounts have not yet been audited or reviewed.

- 5 The entity has a formally constituted audit committee.



Sign here: .....  
(Company Secretary)

Date: 20 February 2019

Print name: Jamie Mackay

**Devine Limited** ABN 51 010 769 365  
**Financial report – 31 December 2018**

**Contents**

	Page
Directors' report	1
Operating and financial review	4
Remuneration report	13
Auditor's independence declaration	18
Financial statements	
Consolidated statement of comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	23
Directors' declaration	81
Independent auditor's report to the members	82

## **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 2018 (2018 Financial Year).

### **DIRECTORS**

The following persons held office as Directors of Devine during the 2018 Financial Year and continue until the date of this report unless otherwise stated.

D P Robinson (Chairman)  
G Sassine  
S A Cooper (resigned effective 8 July 2018)  
J M Campbell (appointed Executive Director 9 July 2018)

### **CHIEF EXECUTIVE OFFICER**

J M Campbell

### **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

##### ***Interests in shares and options***

NIL

## **INFORMATION ON DIRECTORS (continued)**

### **G Sassine – Director**

#### ***Experience and expertise***

Mr George Sassine has more than 31 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

#### ***Interests in shares and options***

NIL

### **J M Campbell – Executive Director**

(appointed 9 July 2018)

#### ***Experience and expertise***

Mr John Campbell has more than 27 years' experience in property development and construction, including development of resort, residential and mixed use projects in Queensland, New South Wales and Victoria, and residential and mixed use development projects in Asia. Mr Campbell was previously a Project Director at CIMIC Group's Leighton Properties, responsible for delivering the company's residential and mixed use projects in Queensland. He holds a Bachelor of Applied Science (Quantity Surveying) from Queensland University of Technology.

#### ***Other current directorships (listed entities)***

None

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

None

#### ***Special responsibilities***

None

#### ***Interests in shares and options***

NIL

## INFORMATION ON DIRECTORS (continued)

### FORMER DIRECTORS

During the 2018 Financial Year, the following people ceased to hold office as Directors of the Company. For detailed information on these Directors refer to the 2017 Annual Report for the Group available on the Company's website [www.devine.com.au](http://www.devine.com.au).

Name	Period of Directorship during current financial year
S A Cooper	1 January 2018 to 8 July 2018

### 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	A	B
D P Robinson	15	15	4	4
G Sassine	14	15	4	4
J Campbell	8	10	**	**
S A Cooper	5	5	**	**

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

### 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.

There have been no 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 2018 Financial Year (December 2017: nil).

## **OPERATING AND FINANCIAL REVIEW**

### **1. About Devine**

The Group was established in 1983.

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

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

During 2015 and 2016 the Group exited the retail and wholesale housing businesses.

As at 31 December 2018, the Group's residential development pipeline included the equivalent of approximately 4,900 future allotments.

### **2. Financial results**

The following is a summary of results for the 2018 Financial Year:

- Revenue from continuing operations of \$56.9m (2017: \$46.6m)
- Loss before tax from continuing operations of \$23.9m (2017: loss before tax of \$27.5m)
- Loss before tax from discontinued operations of \$1.3m (2017: loss before tax of \$0.9m)
- Total loss before tax \$25.2m (2017: loss before tax of \$28.4m)
- Debt of \$36m (31 December 2017: \$46.6m)

	<b>12 months to December 2018 \$'000</b>	12 months to December 2017 \$'000
Revenue from continuing operations	<b>56,897</b>	46,646
Revenue from discontinued operations	<b>-</b>	3,830
Total revenue	<b>56,897</b>	50,476
Loss before tax from continuing operations	<b>(23,857)</b>	(27,497)
Loss before tax from discontinued operations	<b>(1,336)</b>	(895)
Total loss before tax	<b>(25,193)</b>	(28,392)
Gearing	<b>23.5%</b>	20.6%
Net tangible assets - \$ per share	<b>\$0.57</b>	\$0.90
EPS - cents per share (continuing operations)	<b>(15.0)c</b>	(17.3)c
EPS - cents per share	<b>(15.9)c</b>	(17.9)c

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **2. Financial results (continued)**

#### **Comments on operations and operating highlights**

The following key trading measures were achieved in the 2018 Financial Year:

- Residential land sales: 316 (2017: 361);
- Residential land settlements: 329 including a single englobo site with equivalent of 423 lots (2017: 209);
- Non-residential land settlements: 2 school sites (2017: nil);
- Apartment settlements: 43 (2017: 112); and
- Apartment sales: 30 (2017: 21).

The 2018 result was impacted by asset impairments of \$41.9m, taken across the Communities business projects. Offsetting this result by \$22.9m, in the second half of the year, was the settlement of two insurance claims and the extension of a land management agreement.

#### **Key operating highlights for the period include:**

The securing of a new two-year \$70 million Multi Option Facility with ANZ Banking Group (expiring March 2020), providing a stable financial base for the ongoing operation of the business.

The finalisation of a number of insurance claims relating to the construction business resulted in the receipt of \$14.5m which was recorded as revenue during 2018.

The Stonehill Community (Victoria) continued to accelerate off-plan sales and construction activity to leverage the previously strong Victorian residential market.

Throughout 2018 the Stonehill Community:

- Contracted over 200 residential allotments with a pipeline of 210 contracted sales at the reporting date forecast to settle in 2019;
- Settled 255 allotments including a 3.5 hectare school site realising \$47 million in revenue for the project;
- Released six (6) new stages that will enable the delivery of up to 150 settlements in 2019; and
- Commenced construction on 230 residential lots.

The Newbridge Joint Venture project at Wallan (Victoria) enjoyed similar success including:

- Pipeline of over 260 contracted sales at the reporting date forecast to settle in 2019;
- Advanced progress on Stages 2 to 4 and Stage 6 providing certainty of delivery of pipeline settlements for 2019;
- Settlement of an undeveloped land holding (of approximately 48 hectares) returning \$11.5 million to the project; and
- Settlement of the project's 3.5 hectare school site with the Catholic Archdiocese of Melbourne.

Devine's South Australian operations have been hampered by weak conditions in the greenfield development markets across Adelaide. Despite this, the projects Orleana Waters at Evanston Gardens and Mawson Green at Meadows have provided some stable results and made significant progress in reducing the volume of unsold titled stock.

The Group successfully concluded negotiations for an extension to the Orleana Waters Land Management Agreement. This extension provides certainty for Devine to continue to leverage the solid market position the project holds through to its completion.

The conditional sale of Mountview Junction 2 project forecast to settle in 2019.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **2. Financial results (continued)**

#### **Comments on operations and operating highlights (continued)**

The Mode Apartments project at Newstead in Brisbane, Queensland continued to trade through the remaining apartment inventory since the completion of the building in mid-2017. Of the 157 apartments developed, all have been contracted, with only four (4) still to progress to settlement.

#### **Project Overview**

As at 31 December 2018, the Group's residential development pipeline included the equivalent of approximately 4,900 future allotments. These allotments are mainly comprised of the following developments.

#### **Stonehill at Bacchus Marsh; Victoria**

Stonehill is a joint venture development located in Bacchus Marsh, 48 kilometres west of Melbourne. The 141 hectare site is expected to yield approximately 1,450 allotments when completed over the next five years. The masterplan for the community includes retail, community and recreational facilities, parks and open space, and educational facilities including a Catholic Primary School and a proposed child care centre. As at 31 December 2018, the joint venture had sold or settled more than 790 of the Stonehill allotments.

#### **Newbridge at Wallan, Victoria**

Newbridge is an 88 hectare master-planned community within the township of Wallan, 54 kilometres north of Melbourne. Residents enjoy ready access to a number of existing amenities within the nearby town centre, while the addition of a private primary school in the community will strengthen the appeal of the development. Newbridge is within walking distance to the nearby Wallan Railway Station providing services to Melbourne's CBD. Following the bringing forward of the sale of an englobo parcel in 2018, Newbridge will upon completion comprise approximately 419 allotments, with over 320 of these sold or settled as at 31 December 2018.

#### **KSD2, Brisbane, Queensland**

A joint venture project between Devine and Leighton Properties, KSD2 is the final stage of the Hamilton Harbour residential and mixed use project in the riverside suburb of Northshore Hamilton. The first four stages have been completed. The KSD2 site has a development approval for 224 residential apartments, while also having the potential to revert to commercial use, should this be the more suitable outcome. The development immediately adjoins retail, dining and entertainment amenities and is 6 kilometres to Brisbane's CBD. Subject to market demand it is anticipated the KSD2 project will progress to development in 2019/20.

#### **Riverstone Rise, Gladstone, Queensland**

Riverstone Rise is located 15 minutes south of Gladstone's City Centre, and within minutes of the popular coastal neighbourhood of Tannum Sands. The master-planned community will feature approximately 2,900 allotments and accommodate an estimated 7,500 residents; along with a school and child care facilities, a retail and commercial town centre precinct and over 182 hectares of parks and open spaces. A key feature of the community is its interface with 4.2 kilometres of direct frontage to the Boyne River. As at December 2018, more than 235 allotments at Riverstone Rise have been sold or settled.

#### **River Parks, Townsville, Queensland**

River Parks is an 874 allotment master-planned community located 20 kilometres south-west of Townsville. In addition to the residential allotments, the masterplan permits the development of a retail and commercial centre and more than seven hectares of parklands. As at 31 December 2018, 368 allotments at River Parks have been sold or settled. While Devine's River Parks development was not inundated during the recent flooding events in and around Townsville, the extent that this natural disaster will impact the broader Townsville property market and consumer sentiment generally remains unknown at this time.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **2. Financial results (continued)**

#### **Project Overview (continued)**

##### **Brookside, Ipswich, Queensland**

Brookside is a 15 hectare site abutting Devine's previous community developments of Mountview and Edens Crossing. When completed, Brookside is expected to yield 146 dwellings with convenient access to adjoining retail facilities, linear parkways and both private and state schools. Brookside is expected to be ready to commence development in 2019.

##### **Orleana Waters, Evanston Gardens, South Australia**

Orleana Waters is a master-planned residential community located just five minutes from Gawler, at the gateway to the Barossa Valley and only 35 kilometres to Adelaide's CBD. Since commencing development in 2012, more than 400 allotments at Orleana Waters have been sold of the anticipated total yield of 790 allotments. The community has commuter access to Adelaide via the adjoining rail station, and the northern link motorway. Orleana Waters is being developed under a land management agreement with the owners of the land.

##### **Mawson Green, Meadows, South Australia**

Just 44 kilometres from the Adelaide CBD in the Adelaide Hills, Mawson Green at Meadows offers an alternative to the suburban living that is now common place in the hills district centre of Mount Barker. At approximately 200 allotments Mawson Green is a mid-scale development relative to Devine's other projects. The community directly adjoins the main street of Meadows which features bakeries, cafes, convenience store and nearby school and sporting clubs. At 31 December 2018, 125 allotments at Mawson Green have been sold.

### **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 2018, the Group incurred a net loss after tax of \$25m (2017: net loss of \$28m) and generated net cash inflows from operating activities of \$17m (2017: outflow of \$27m). As at 31 December 2018, the Group had net assets of \$94m (2017: \$147m) and current assets exceeded current liabilities by \$31m (2017: \$4m).

As at 31 December 2018, the Group had drawn debt and bank guarantees totalling \$42m under the ANZ Bank Multi Option Facility (MOF), of which \$36m has been classified as a non-current liability due to its maturity being 29 March 2020. The MOF does not contain financial covenants and is guaranteed by Devine's majority shareholder. The assets of the group exceed the current \$42m exposure of the Group to the senior lender in relation to the MOF.

In preparing the financial statements on a going concern basis, the Directors have had regard to the re-organisation of the Group's business and the refinancing of the MOF. On the basis of these two items and the continued focus on cash and liquidity by management, 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.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **4. Market conditions**

Figures released in early 2019 show that the residential building market has been in a decline throughout 2018, driven largely by the slow-down across Melbourne and Sydney. National building approval numbers declined 32.8% in the year to November 2018<sup>(a)</sup>.

While some building and construction activity remains relatively strong, the decline in overall approvals is a sign of an expected slowing in residential construction. The level of new home starts in early 2018 underpinned one of the strongest years of residential construction on record; however results for the second half of the year point to a softening that has been evident in the broader housing market. Building activity data for the September quarter is down 5.7% for the quarter and 2.2% against the same period a year prior<sup>(b)</sup>.

Likewise, housing finance figures provide further evidence of an expected decline in activity with finance for new homes falling 18.7% on an annualised basis to November 2018<sup>(c)</sup>. The share of owner occupier to investor based finance has also shifted with investor finance slowing to 32%, the lowest level in nine years<sup>(d)(c)</sup>. This decline and shift has been attributed to a change in lending policies being enforced on the major banks following the recent Royal Commission into banking lending practices<sup>(e)</sup>. As a percentage of owner occupier loans, first home buyers are becoming more active making up 18.3% of the market (up from 17.9% in Dec 17)<sup>(f)</sup>.

At the start of 2019, consumer confidence indices are reporting a slightly more pessimistic outlook, the first time since late 2017 that a negative outlook has been reported. This slide in confidence has been attributed to a number of influences including: the decline in house prices, disappointing updates on national economic growth, concerns around the global trade environment, and political uncertainty. However, the 'time to buy a dwelling index' has further strengthened and is at a four year high. Meanwhile, property price expectations have weakened, with the greatest declines heavily concentrated in the previously strong Melbourne and Sydney markets<sup>(g)</sup>.

The low interest rate environment and reportedly stable outlook for job security are currently supporting confidence in the property market. However, some of the negative influences on the property markets in 2018 are expected to remain in place into 2019, such as reductions in foreign buyer activity, a decrease in overseas migration levels and the access of buyers to credit. Adding further uncertainty, and impacting confidence, is the yet to be confirmed Federal Government election<sup>(h)</sup>.

Devine continues to operate in various residential markets in Australia which exhibit different conditions and are in varying phases of the property market cycle.

### **Victoria**

The previously strong property market conditions in Victorian of 2017 have slowed, with Melbourne's sales volumes and prices growth declining. Dwelling values in Melbourne dropped by 7% through 2018 with values retreating back to levels last seen in February 2017<sup>(i)(h)</sup>. However, much of the decline is being driven by the top end of the market with lower value properties impacted to a lesser degree which, when coupled with incentives for first home buyers, is driving good levels of activity in this market segment<sup>(h)</sup>.

Rental yields in Victoria have been improving due to declining values and real rents growing by around 2.4% year-on-year<sup>(h)</sup>. Victoria is growing at the fastest rate of any state in the country and in the process is attracting more than 14,000 net interstate migrants with a strong representation of people making their way from New South Wales<sup>(i)</sup>. Melbourne's growth rate is among the fastest of any city in the developed world, surging 2.53% since 2011, compared to 1.8% for Sydney<sup>(k)</sup>.

---

(a) ABS 8731.0 released 9 Jan 2019, St George Data snapshot – Building Approvals 9 Jan 2019 & ANZ Research Quick Reaction Australia 9 Jan 2019

(b) ABS 8752 released 16 Jan 2019 / Housing Industry Association of Australia Release – New Home Starts Ease in September Quarter - 16 January 2019

(c) St George Data snapshot – Housing Finance 17 January 2019

(d) ABS 5609.0 released 17 January 2019

(e) St George Data snapshot reports "tightening credit conditions as a result of regulatory changes"

(f) ABS 5609.0 released 17 January 2019

(g) Westpac-Melbourne Institute Index Of Consumer Confidence – Bulletin 16 January 2019

(h) Core Logic National Media Release 2 January 2019– Tim Lawless

(i) Core Logic Hedonic Home Value Index, December 2018

(j) ABS 3101.0 released 20 December 2018

(k) Article SMH 20 December 2018 – NSW Residents Race South to Victoria

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **4. Market conditions (continued)**

#### **Queensland**

Building approvals in Queensland have followed the national decline, down by around 20% on an annual basis to November 2018, with the outcome attributed to the significant slowdown in approvals for townhouses and apartments<sup>(l)</sup>. Likewise, new homes sales declined in 2018, down 26.5% to December, according to the Housing Industry Association<sup>(m)</sup>. The slowdown in sales points to a weaker pipeline of activity for 2019.

Brisbane dwelling values remained steady throughout 2018, increasing marginally by 0.2%; however Queensland's capital city benefits from a median price gap compared to the major southern capitals. Brisbane has a median property value of under \$500,000 (compared to \$808,000 and \$645,000 for Sydney and Melbourne respectively)<sup>(n)</sup> which provides a stimulus for interstate migration.

In the north of the State, where Devine has landholdings, Townsville's property market remains in the early stages of a recovery phase. Significant infrastructure projects in the pipeline are providing for an improved outlook, however some uncertainty regarding job security and the longevity of those infrastructure projects is impacting confidence. While Gladstone has seen limited growth across some sectors, the property market is still in the very early phases of a recovery. This market is also being driven by affordability which is putting downward pressure on prices. A positive sign has been the increase in rents and the contraction of vacancy rates (from 4.7% to 2.9%) over the course of the year<sup>(o)</sup>.

#### **South Australia**

The South Australian housing market remained subdued throughout 2018 with sales of new homes flat (down just 0.3%)<sup>(m)</sup> and building approval declining a further 18% on the prior year<sup>(l)</sup>.

The outlook for the South Australian economy remains subdued with above average unemployment rates and poor employment growth forecast<sup>(p)</sup>. The population growth of Adelaide was among the lowest of any Australian capital city at just 0.7% for the year to June 2017<sup>(q)</sup>.

Over the past few years, Adelaide has consistently seen moderate house price growth; for 2018 growth was up by only 1.3%<sup>(n)</sup>. This growth has been supported by the low interest rate environment and the city's relative affordability. The Adelaide median dwelling value of less than \$435,000 is second only to Darwin<sup>(n)</sup>.

### **5. Outlook**

The Group has finalised a number of legacy issues and will continue to take actions to preserve shareholder value and maintain business liquidity.

The Group will continue to execute its property development strategy, principally in the Communities land development business, by driving the development of its existing project portfolio and positioning itself for the purchase of new land development sites in key locations.

The Group will continue to monitor the market for commercial development opportunities for the various land holdings owned and will investigate new opportunities in order to rebuild its pipeline within the constraints of the current financial markets.

---

(l) ABS 8731.0 released 9 Jan 2019 / also published by St George Data Snapshot – Building Approvals 9 Jan 2019

(m) HIA New Home Sales Report – as reported by sources including Business Insider

(n) Core Logic Hedonic Home Value Index, December 2018 / Core Logic National Media Release 2 January 2019

(o) Herron Todd White Residential Year in Review – December 2018

(p) ABS 6202.0 / Australian Government Department of Jobs and Small Business (data series 2018 Employment Projections - for the five years to May 2023)/Adelaide Advertiser Article 24 January 2019 / Michael Yardney (Smart Company) Article 23 November 2018

(q) ABS 3218.0

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **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 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 Group 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:

- endeavors 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 projects or assets.

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 Group'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 Group'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.
- Risks associated with natural disasters including floods, cyclones, hailstorms and bushfires.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **EARNINGS PER SHARE**

	<b>12 months to December 2018 Cents</b>	12 months to December 2017 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	<u>(15.9)</u>	<u>(17.9)</u>

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

There have been no significant events which have occurred post 31 December 2018.

### **ENVIRONMENTAL REGULATION**

During the financial year ending 31 December 2018, the Group's activities were primarily involved in the development and sale of residential land and the completion of a high-rise residential development. Accordingly, it is subject to the relevant local, state and federal government environmental regulations relating to these activities. The Group 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 Group's WHS Management System places obligations on all employees to help minimise the number of incidents and injuries that occur on our developments. The Group policy on past and new projects requires the Health and Safety officers, and through them our Development Managers, Project Managers and Site Managers to conduct regular training sessions, site inspections and audits to ensure our contractors, consultants and suppliers are complying with the Group'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 quarterly WHS reports outlining both lead (positive safety outcomes) and lag (incidents and injuries) indicators for the Group. In the financial year ending 31 December 2018 there were no notifiable incidents across the Group (December 2017: 3).

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

Devine is not a "relevant employer" under the WGEA and as such is not 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 above.

### **LOANS TO DIRECTORS AND EXECUTIVES**

No loans were secured or made to Directors and executives during the financial year ended 31 December 2018 (December 2017: 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 Group has a paid 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 Group 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:

	<b>Consolidated</b>	
	<b>12 months to December 2018</b>	12 months to December 2017
	<b>\$</b>	<b>\$</b>
<b>Ernst &amp; Young</b>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	<b>254,581</b>	249,302
Tax compliance and advisory services	<b>21,095</b>	41,195
<b><i>Total auditors' remuneration</i></b>	<b>275,676</b>	290,497

## **REMUNERATION REPORT (AUDITED)**

This remuneration report for the financial year ended 31 December 2018 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 2018 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**

<b>Name</b>	<b>Position</b>
<i>Non-executive and executive Directors</i>	
D P Robinson	Non-executive Director (Chairman)
G Sassine	Non-executive Director
J Campbell	Chief Executive Officer (appointed Executive Director 9 July 2018)
S A Cooper	Chief Executive Officer and Executive Director (resigned 8 July 2018)
P J Dransfield	Non-executive Director (deceased 5 January 2017)

#### **KMP disclosed in this report**

<b>Name</b>	<b>Position</b>
<i>Other KMP</i>	
J S L Mackay	Chief Financial Officer and Company Secretary

### **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.

## REMUNERATION REPORT (AUDITED) (continued)

### 2. Remuneration governance (continued)

#### 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 additional 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.

## **REMUNERATION REPORT (AUDITED) (continued)**

### **3. Remuneration arrangements (continued)**

#### **Remuneration mix**

The remuneration for KMP currently only provide for fixed remuneration with any bonuses at the Board's discretion.

<b>Position</b>	<b>Fixed Remuneration</b>	<b>Percentage of Total Remuneration</b>	
		<b>At Risk Variable Components</b>	
		<b>Target Base STI</b>	<b>LTI Grant Value</b>
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.

##### **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.

### **4. Executive and non-executive remuneration outcome for the 2018 financial year**

#### **STI and LTI for the 2018 financial year**

As determined by the Board for the 2018 financial year, no performance rights or other equity investments were granted to KMP of the Group.

There were no STIs or LTIs awarded by the Group to any KMP during the year. For details of the LTI plan refer to the Remuneration Report in the 2016 Annual Report.

## REMUNERATION REPORT (AUDITED) (continued)

### 4. Executive and non-executive remuneration outcome for the 2018 financial year (continued)

#### Details of remuneration

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

		Period	Short-term benefits				Post employment	Sub - total	Long-term benefits	Termination Payments	Total
			Salary & fees	Bonuses STI / Discretionary	Committee fees & other	LAFHA & allowances	Super-annuation		Long service leave *		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>											
<b>J Campbell<sup>1</sup></b>	<b>Dec-18</b>	<b>185,333</b>	-	-	-	<b>9,897</b>	<b>195,230</b>	-	-	-	<b>195,230</b>
(appointed 9 July 2018)	Dec-17	-	-	-	-	-	-	-	-	-	-
<b>S A Cooper<sup>2</sup></b>	<b>Dec-18</b>	<b>256,190</b>	-	-	<b>25,564</b>	<b>12,913</b>	<b>294,667</b>	-	-	-	<b>294,667</b>
(resigned 8 July 2018)	Dec-17	451,793	-	-	49,020	19,832	520,645	-	-	-	520,645
<b>Non-executive Directors</b>											
<b>D P Robinson</b>	<b>Dec-18</b>	<b>95,890</b>	-	-	-	<b>9,110</b>	<b>105,000</b>	-	-	-	<b>105,000</b>
	Dec-17	95,890	-	-	-	9,110	105,000	-	-	-	105,000
<b>P J Dransfield</b>	<b>Dec-18</b>	-	-	-	-	-	-	-	-	-	-
(deceased 05 January 2017)	Dec-17	1,475	-	-	-	140	1,615	-	-	-	1,615
<b>G Sassine<sup>3</sup></b>	<b>Dec-18</b>	<b>105,000</b>	-	-	-	-	<b>105,000</b>	-	-	-	<b>105,000</b>
	Dec-17	105,000	-	-	-	-	105,000	-	-	-	105,000
<b>Other KMP</b>											
<b>J S L Mackay<sup>4,5</sup></b>	<b>Dec-18</b>	<b>314,935</b>	<b>115,000</b>	-	<b>25,000</b>	<b>20,290</b>	<b>475,225</b>	-	-	-	<b>475,225</b>
	Dec-17	307,968	-	-	25,000	19,832	352,800	-	-	-	352,800
<b>Total</b>	<b>Dec-18</b>	<b>957,348</b>	<b>115,000</b>	-	<b>50,564</b>	<b>52,210</b>	<b>1,175,122</b>	-	-	-	<b>1,175,122</b>
	Dec-17	962,126	-	-	74,020	48,914	1,085,060	-	-	-	1,085,060

Where applicable, this table sets out the remuneration earned for each executive up until the date on which they ceased to be an executive. For newly appointed executives the table sets out the remuneration earned from the date they were appointed as an executive.

\* 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.

1 Mr Campbell became a KMP on 09 July 2018.

2 Mr Cooper ceased being a KMP on 08 July 2018

3 Mr Sassine received no Director fees directly from Devine in respect of his services as non-executive director. The amounts in the table are charged by CIMIC Group in respect of Mr Sassine's services.

4 Mr Mackay's bonus was a discretionary bonus provided by the majority shareholder.

5 Effective 1 April 2018, Mr Mackay received a \$9,900 (3%) increase to his total fixed remuneration.

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

	Fixed Remuneration		At risk- STI / Discretionary		Fixed Remuneration		At risk- STI / Discretionary	
	December 2018	2018	December 2018	2018	December 2017	2017	December 2017	2017
	\$	%	\$	%	\$	%	\$	%
<b>Other KMP</b>								
J Campbell	195,230	100%	-	-	-	-	-	-
S A Cooper	294,667	100%	-	-	520,645	100%	-	-
J S L Mackay	360,225	76%	115,000	24%	352,800	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 if applicable.

The employment contracts with the executives have no fixed term and all contracts may be terminated by either party giving three months' notice. The remuneration of the executives is subject to annual review by the Board.

## REMUNERATION REPORT (AUDITED) (continued)

### 5. Additional Statutory Disclosures (continued)

#### (a) Service agreements (continued)

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
J Campbell	CEO and Executive Director	9 July 2018	21 May 2018	
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 2014	FY 2015	FY 2016	FY 2017	FY 2018
Earnings per share (cents)	2.3	(22.7)	(23.9)	(17.9)	(15.9)
Dividends per share (cents)	0.0	0.0	0.0	0.0	0.0
Closing share price (cents)	94.0	70.0	45.0	40.0	21.5

#### (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 23 employees as at 31 December 2018 (December 2017: 25 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 Limited.



D P Robinson  
Chairman

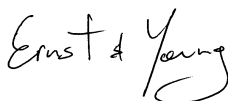
Brisbane  
20 February 2019

## 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 2018, 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  
20 February 2019

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	12 months to December 2018 \$'000	12 months to December 2017 \$'000
<b>Continuing operations</b>			
Revenue	5	56,897	46,646
Expenses	6	(83,626)	(80,415)
Share of net profit of joint ventures accounted for using equity method	29(b)(iii)	3,761	6,002
<b>Loss before interest and tax from continuing operations</b>		<b>(22,968)</b>	<b>(27,767)</b>
Finance income	7	44	490
Finance expense	7	(933)	(220)
<b>Net finance (expense)/income</b>		<b>(889)</b>	<b>270</b>
<b>Loss before tax from continuing operations</b>		<b>(23,857)</b>	<b>(27,497)</b>
Income tax expense	8	-	-
<b>Loss after tax from continuing operations</b>		<b>(23,857)</b>	<b>(27,497)</b>
<b>Discontinued operations</b>			
Loss after tax from discontinued operations	35	(1,336)	(895)
<b>Total loss and comprehensive loss for the year</b>		<b>(25,193)</b>	<b>(28,392)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings/(loss) per share</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company	32	(15.9)	(17.9)
<b>Earnings/(loss) per share for continuing operations</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company	32	(15.0)	(17.3)
<b>Earnings/(loss) per share for discontinued operations</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company		(0.9)	(0.6)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Notes	31 December 2018 \$'000	Restated 31 December 2017 <sup>1</sup> \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,413	295
Trade and other receivables	9	17,561	37,270
Contract assets	10	3,744	-
Inventories	11	23,022	38,081
Prepayments		857	1,218
<b>Total current assets</b>		<b>46,597</b>	<b>76,864</b>
<b>Non-current assets</b>			
Trade and other receivables	9	-	16,765
Contract assets	10	4,893	-
Inventories	11	71,878	108,996
Investments accounted for using the equity method	29(b)	21,925	19,215
Plant and equipment	15	176	456
Intangible assets	16	3,316	3,316
<b>Total non-current assets</b>		<b>102,188</b>	<b>148,748</b>
<b>Total assets</b>		<b>148,785</b>	<b>225,612</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	12,680	23,767
Interest bearing loans	20	-	46,617
Provisions	21	2,577	2,592
<b>Total current liabilities</b>		<b>15,257</b>	<b>72,976</b>
<b>Non-current liabilities</b>			
Trade and other payables	19	-	4,709
Interest bearing loans	20	35,985	-
Provisions	21	3,525	1,422
<b>Total non-current liabilities</b>		<b>39,510</b>	<b>6,131</b>
<b>Total liabilities</b>		<b>54,767</b>	<b>79,107</b>
<b>Net assets</b>		<b>94,018</b>	<b>146,505</b>
<b>EQUITY</b>			
Contributed equity	22	292,367	292,367
Reserves	23(a)	337	336
Accumulated losses	23(b)	(198,686)	(146,198)
<b>Total equity</b>		<b>94,018</b>	<b>146,505</b>

<sup>1</sup>Comparatives have been restated in relation to retrospective adoption of change in accounting policy judgement as discussed in Note 2.

*The consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 31 December 2017</b>		<b>292,367</b>	<b>336</b>	<b>(146,198)</b>	<b>146,505</b>
Opening balance adjustment on application of new accounting standards <sup>1</sup>		-	-	(27,295)	(27,295)
<b>Restated total equity at 1 January 2018</b>		<b>292,367</b>	<b>336</b>	<b>(173,493)</b>	<b>119,210</b>
Loss for the year		-	-	(25,193)	(25,193)
Other comprehensive income/(loss)		-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(25,193)</b>	<b>(25,193)</b>
<b>Transactions with shareholders in their capacity as shareholders:</b>					
Expense pursuant to employee incentive scheme	23(a)	-	1	-	1
<b>Balance at 31 December 2018</b>		<b>292,367</b>	<b>337</b>	<b>(198,686)</b>	<b>94,018</b>
<b>Balance at 1 January 2017</b>		<b>292,367</b>	<b>331</b>	<b>(117,806)</b>	<b>174,892</b>
Loss for the year		-	-	(28,392)	(28,392)
Other comprehensive income/(loss)		-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(28,392)</b>	<b>(28,392)</b>
<b>Transactions with shareholders in their capacity as shareholders:</b>					
Expense pursuant to employee incentive scheme	23(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>

<sup>1</sup> Refer to Note 2 for details on opening balance adjustments made on application of new accounting standards.

*The 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 2018**

	Notes	12 months to December 2018 \$'000	12 months to December 2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		47,124	36,621
Payments to suppliers and employees (inclusive of goods and services tax)		(28,492)	(61,521)
Interest received		21	23
Interest and borrowing costs paid		(1,970)	(1,784)
<b>Net cash inflow/(outflow) from operating activities</b>	24	<b>16,683</b>	<b>(26,661)</b>
<b>Cash flows from investing activities</b>			
Payments/proceeds for/from plant and equipment		(11)	17
Payments for investments in joint ventures		(311)	(277)
Loans to joint ventures and repayment of advances from joint ventures		(13,264)	(6,195)
Repayment of loans by joint ventures		7,291	3,221
Equity distributions received from joint ventures		1,361	-
<b>Net cash outflow from investing activities</b>		<b>(4,934)</b>	<b>(3,234)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,169	31,034
Repayment of borrowings		(14,800)	(1,707)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(10,631)</b>	<b>29,327</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,118</b>	<b>(568)</b>
Cash and cash equivalents at the beginning of the financial year		295	863
<b>Cash and cash equivalents at end of the financial year</b>		<b>1,413</b>	<b>295</b>

*The consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

### 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 controlled entities.

With the exception of the changes in accounting standards and accounting policy judgement as discussed in Note 2, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### (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.

Devine Limited 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 consolidated financial statements have been rounded in accordance with that 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 financial assets and financial 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 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 4.

#### (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 2018, the Group incurred a net loss after tax of \$25m (2017: net loss of \$28m) and generated net cash inflows from operating activities of \$17m (2017: outflow of \$27m). As at 31 December 2018, the Group had net assets of \$94m (2017: \$147m) and current assets exceeded current liabilities by \$31m (2017: \$4m).

As at 31 December 2018, the Group had drawn debt and bank guarantees totalling \$42m under the ANZ Bank Multi Option Facility (MOF), of which \$36m has been classified as a non-current liability due to its maturity being 29 March 2020. The MOF does not contain financial covenants and is guaranteed by Devine's majority shareholder. The assets of the group exceed the current \$42m exposure of the Group to the senior lender in relation to the MOF.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(a) Basis of preparation (continued)**

#### ***(iv) Going concern (continued)***

In preparing the financial statements on a going concern basis, the Directors have had regard to the re-organisation of the Group's business and refinancing of the MOF. On the basis of these two items and the continued focus on cash and liquidity by management, 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 controlled entities as at 31 December 2018.

Controlled entities 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 an investee begins when the Group obtains control over the investee and ceases when the Group loses control of the investee. Assets, liabilities, income and expenses of a controlled entity 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 investee.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between controlled entities of the Group are eliminated in full on consolidation. The financial statements of the controlled entities are prepared for the same reporting period as the Group and accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a controlled entity, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over an investee, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### **(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.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Group has two types of joint arrangements:

#### ***Joint operations***

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint operation.

The Group's share of assets, liabilities, revenues and expenses of the joint operations has 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 29(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 investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The Group's share of profits or losses from the joint venture are recognised in the consolidated statement of comprehensive income, and the share of post-acquisition movements in reserves are recognised in consolidated statement of financial position and consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss. Details relating to joint ventures are set out in Note 29(b).

### **(d) Revenue from contracts with customers (refer Note 2)**

Revenue is recognised when it is highly probable that a significant reversal of revenue will not occur and based on fulfillment of performance obligations on a contract at a point in time or over a period of time.

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

Revenue on the sale of land is recognised when risks and benefits of ownership transfer (i.e. control over the property) to a third party along with fulfillment of all performance obligations on a contract. The revenue is measured at the transaction price agreed under the contract. Where the Group enters into contracts where control over the property transfers to a third party with certain performance obligations to be fulfilled over time, revenue is recognised over time as work is performed on assets controlled by the customer and which have no alternative use to the Group, and the Group has a right to payment for performance to date.

Payment is generally received on actual land settlement, when risk and benefits of ownership are transferred to the customer. Where the Group receives an upfront payment on transfer of ownership and before completion of performance obligations on a contract, the revenue is deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled obligations. Refer Note 1(g) for 'contract assets' and 'contract liabilities'.

#### ***(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 along with fulfillment of all performance obligations on a contract.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Revenue from contracts with customers (continued)**

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

The revenue is measured at the transaction price agreed under the contract. Payment is received on actual settlement of individual units or property, when risk and benefits of ownership are transferred to the customer.

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 recognised for each settled unit. Marketing and selling costs associated with the Company's property development projects are directly expensed as incurred.

#### ***(iii) Construction contracts***

Contracts entered into may be for the construction of one or several components of a large project. The construction of each individual component is generally taken to be one performance obligation. Where contracts are entered for the building of several components, the total transaction price is allocated across each component based on stand-alone selling prices. The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration (refer Note 1(d)(v)). The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled performance obligations. 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.

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.

#### ***(iv) Services revenue***

The Group provides various services to customers, including services relating to land and property development. The transaction price is normally fixed at the start of the project as a fixed amount or a fixed percentage. The total transaction price may include variable consideration (refer Note 1(d)(v)). The total transaction price is allocated across each service or performance obligation and, where linked, the construction of the relevant asset.

In certain service contracts in relation to property and land development, performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. In such contracts revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation. 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.

In other service contracts in relation to property and land development, performance obligations are fulfilled over a period of time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has enforceable right to payment only on achievement of certain agreed milestones including transfer of risk and rewards of ownership on sale of land or property.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Revenue from contracts with customers (continued)**

#### ***(iv) Services revenue (continued)***

In such contracts revenue is recognised at a point in time in the accounting period when the milestones have been achieved based on the expected transaction price being a fixed amount or a fixed percentage and contract costs are recognised as an expense as incurred.

Customers are in general invoiced on a monthly basis or on the basis of completion of milestones for an amount that is calculated on either a fixed schedule of rates or fixed percentage that are aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms.

#### ***(v) Other related items in relation to revenue from contracts with customers***

##### **Variable consideration**

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance.

##### **Contract fulfilment costs**

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs, feasibility studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

##### **Contract modifications**

A contract modification is a change in the scope or price (or both) of a contract approved by the parties to the contract. If the remaining goods or services are not distinct, the Group shall account for the contract modification as if it were a part of the existing contract and therefore form part of existing performance obligations that are partially satisfied and is recognised as an adjustment to revenue whilst also considering the constraint requirement (refer 'variable consideration').

##### **Financing components**

The Group will adjust transaction prices for the time value of money for any contracts with a financing component. Income received in respect of the time value of money for contracts with a financing component will be recorded as finance income.

##### **Loss making contracts**

A provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

### **(e) Other revenue and finance income**

Other revenue and finance income are measured at the fair value of the consideration received or receivable.

**(i) Proceeds from insurance claims** are recognised on receipt or when recovery is virtually certain.

**(ii) Rental income** is recognised on a straight line basis over the term of the operating lease.

**(iii) Dividend income** is recognised when the dividend is declared.

**(iv) Other sundry income** is recognised only on a receipt basis.

**(v) Finance income** is recognised on an accrual basis.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(f) 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.

### **(g) Contract assets and liabilities (refer Note 2)**

AASB 15 uses the terms 'contract asset' and 'contract liability' which the Group has adopted. A contract asset is the Group's right to payment for goods and services already transferred to a customer if that right to payment is conditional on something other than passage of time. A contract liability is the Group's obligation to transfer goods or services to a customer at the earlier of (a) when the customer prepay consideration or (b) the time that the customer's consideration is due for goods and services the Group will provide.

### **(h) Trade receivables**

Trade and other receivables represents the Group's right to an amount of consideration that is unconditional and only passage of time is required before payment of the consideration is due.

- (i) Trade receivables** include unconditional consideration due in relation to goods and services transferred to a customer.
- (ii) Other receivables** include joint venture loans, lease receivables, deposits and amount receivable in relation to other operating activities of the group.

Refer accounting policies on non-derivative financial assets in Note 1(o)(i).

### **(i) Inventories**

#### **(i) Land held for resale**

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, borrowing and other land holding costs incurred and capitalised during development. When development is completed borrowing and other land holding costs are expensed as incurred. Previously capitalised borrowing costs and other land holding costs that are expensed during the period are disclosed under Expenses - Cost of sales.

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

#### **(ii) 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. 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.

### **(j) Intangible assets / Brand name**

The initial value 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. Refer Notes 1(q) and 16.

### **(k) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(l) 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.

Any subsequent costs incurred in relation to a plant and equipment asset 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:

Leasehold improvements	2 - 8 years
Computer equipment	2 - 5 years
Other plant and equipment	2 - 5 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 (refer Note 1(q)).

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

### **(m) Trade and other payables**

#### **(i) Trade payables**

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

#### **(ii) 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 are recognised at present value.

#### **(iii) Other amounts payable**

Other amounts payable represent retentions withheld from sub-contractors, goods and services tax (GST) net liability and other administrative and statutory liabilities as at end of the reporting period. These amounts are presented as current liabilities unless payment is not due within 12 months from the reporting date.

Refer accounting policies on non-derivative financial liabilities in Note 1(o)(ii).

### **(n) Interest bearing loans and borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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.

Refer accounting policies on non-derivative financial liabilities in Note 1(o)(ii).

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(o) Financial instruments – initial recognition and subsequent measurement (refer Note 2)**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **(i) Non-derivative financial assets**

##### *(a) Classification*

The Group classifies its non-derivative financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### *(b) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*Cash and cash equivalents and trade and other receivables* are subsequently measured at amortised cost or fair value through profit or loss where applicable.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(o) Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(i) Non-derivative financial assets (continued)**

##### *(c) Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or when
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *(d) Impairment*

For trade receivables, contract assets, other receivables including joint venture loans and lease receivables that are measured at amortised cost, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, refer Note 34. For all other financial instruments, the Group assesses expected credit losses on a forward looking basis and the impairment methodology applied will depend on whether there has been a significant increase in credit risk.

#### **(ii) Non-derivative financial liabilities**

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities include interest bearing loans and borrowings and trade and other payables.

##### *(a) Classification and measurement*

###### *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

###### *Trade and other payables*

Liabilities are recognised at fair value being amounts to be paid for goods or services received or advances received under contractual arrangement or retentions withheld, refer Note 1(m).

##### *(b) Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(o) Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(iii) Derivative financial instruments and hedge accounting**

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

#### *Fair value hedges*

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate (EIR) method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

#### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(o) Financial instruments – initial recognition and subsequent measurement (continued)**

#### **(iii) Derivative financial instruments and hedge accounting (continued)**

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of forward and option contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

#### **(p) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously, refer Note 34(g)

#### **(q) Impairment of non-financial assets**

Non-financial 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 non-financial 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount for an asset that does not generate largely independent cash flows is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss unless the asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the statement of profit or loss. Reversals of impairment losses are also recognised in the statement of profit or loss, refer Notes 1(j) and 1(l).

#### **(r) Leases**

##### *Group as a lessee*

Leases of property, plant and equipment where the Group have 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 (refer Note 25). Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(r) Leases (continued)**

#### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

### **(s) 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.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

#### **Structural warranty provisions**

As required by law, the Group provides warranties for Category 1 structural defects for all assets constructed for its customers mainly in relation to residential housing and apartment construction generally for a period of 6.5 to 10 years from the date of practical completion. Initial recognition is based on historical experience. The initial estimate of structural warranty related costs is revised annually.

#### **Legal cost provisions**

Legal cost provisions are recognised only when the Group has a legal and constructive obligation to pursue legal proceedings or actions in relation to disputes, claim recoveries or as defendants. A provision is recognised if the amount can be reliably estimated.

#### **Onerous contracts**

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

#### **Lease make-good provisions**

The Group recognises a provision for costs to make good premises at end of leases. Make good lease costs are provided for at the present value of expected or agreed costs to settle the obligation and are recognised as an asset which is then depreciated over the period of the leases.

#### **Restructuring provisions**

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

- (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs and the timeline; and
- (ii) the employees affected have been notified of the plan's main features.

#### **Contingent liabilities recognised in a business combination**

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(t) 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.

### **(u) 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.

### **(v) 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.

### **(w) 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.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(x) 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.

### **(y) 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.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(z) Parent entity financial information**

The financial information for the Parent entity, Devine Limited, disclosed in Note 14 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### ***(i) Investments in controlled entities, associates and joint ventures***

Investments in controlled entities, 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 controlled entities for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### **(aa) Comparatives**

Comparatives have been restated as part of adoption of change in accounting policy judgement as discussed in Note 2 (Change in accounting standards and accounting policy judgement - impact on application).

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 2017 financial year or on the net assets as at 31 December 2017.

## **2. CHANGE IN ACCOUNTING STANDARDS AND ACCOUNTING POLICY JUDGEMENT**

New and amended accounting standards relevant to the Group that are effective for the period are as follows:

### **AASB 15: Revenue from Contracts with Customers**

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which has come into effect 1 January 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance including AASB 118 Revenue and AASB 111 Construction Contracts.

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 that reflects the consideration to which the provider of the goods and services expects to be entitled.

Significant judgements and estimates are used in determining the impact of AASB 15, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity. In making this assessment we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 1(d).

### **AASB 9: Financial instruments**

This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and de-recognition of financial instruments from AASB 139.

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset.

For trade receivables, contract assets, other receivables including joint venture loans and lease receivables that are measured at amortised cost, the Group applies the simplified approach permitted by AASB 9, whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. Lifetime expected credit loss is the amount the Group expects to lose due to default events that are possible over the life of the financial instrument.

The Group assesses expected credit losses in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

For all other financial instruments in-scope of impairment requirements, the Group assesses expected credit losses on a forward looking basis and the impairment methodology applied will depend on whether there has been a significant increase in credit risk.

## **2. CHANGE IN ACCOUNTING STANDARDS AND ACCOUNTING POLICY JUDGEMENT** **(continued)**

### **Re-assessment of accounting policy adopted in relation to a Land Management Agreement**

In light of the new and more detailed guidance available within AASB 15, as part of transitioning into the new accounting standard, the Group has reviewed the various land management agreements entered into as at 31 December 2017 and determined that the existing accounting policy adopted in relation to a specific and unique Land Management Agreement (LMA) needed to be re-assessed based on the below identified facts:

- The Group has the right of access to the land in order to be able to discharge its obligations under the Agreement with the Land Owner which include obtaining development approvals, permits and licences, plan and design subdivision of land, construction of infrastructure and provision of utilities and marketing and sale of the individual allotments with a percentage of the sale value retained by the Land Owner on sale of each allotment. However, this right expires at the completion of a stipulated period of time whether or not all the lots in the development are developed or sold and with a minimum guaranteed payment due to the Land Owner. The Group at no stage obtains ownership nor is granted any option to acquire ownership or title to the completed works, unsold units or balance land even on payment of the minimum guaranteed amount. Risk and benefits of ownership remain with the Land Owner until the individual allotments are sold to third parties.
- The benefit of services performed by the Group and a portion of the proceeds payable on sale of all allotments is transferred to the Land Owner on a continued basis. In the event of lots remaining unsold or incomplete within the term specified under the agreement, the Land Owner would still benefit from the minimum guaranteed payment.
- The service provided by the Group also enhances the asset owned by the Land Owner as the land improvement completed is a saving on future costs in relation to land development.
- The Group has no alternate use of the asset and has an enforceable right to payment for works completed to date.

Prior to 1 January 2018, based on the prevailing assessment that the Group had effective control over the asset, all costs incurred under this LMA was accounted for as 'Inventory/ Work-in-progress' under AASB 102 with the carrying value validated using a 'net realisable value' assessment carried out semi-annually and on sale of each allotment, revenue was recognised as per Group's revenue recognition policy on land development and resale under AASB 118 when risk and benefits of ownership transfer to a third party (customer) .

When applying the new more detailed and expanded guidance now available under AASB 15 to the above identified facts in relation to the LMA, the Group concluded that it would be more appropriate and relevant to treat the LMA as a construction and services contract entered into by the Group with the Land Owner as a single customer with revenue and costs accounted under AASB 111 guidance (effectively AASB 15 from 1 January 2018) instead of AASB 118 and AASB 102. The impact of the change in accounting policy judgement resulted in a balance sheet re-classification from inventory to receivables, but had no impact on net assets as at 1 January 2018 or on previously reported profit and loss results.

## **2. CHANGE IN ACCOUNTING STANDARDS AND ACCOUNTING POLICY JUDGEMENT** **(continued)**

### **Impact on application**

The Group has applied a retrospective approach for adoption of the change in accounting policy judgement with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity as at 1 January 2018 and restating the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable being 31 December 2017.

For adoption of AASB 15 and AASB 9 the Group has applied a modified retrospective approach with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity as at 1 January 2018 and comparative figures are therefore not restated. The Group has elected to apply AASB 15 only to contracts that were not completed at 1 January 2018. The opening equity adjustment due to the application of the new standards is analysed by financial statement line item below.

Impact on assets, liabilities and equity at 1 January 2018

		<b>As reported 31 December 2017 \$'000</b>	<b>Accounting Policy adjustments \$'000</b>	<b>Restated 31 December 2017 \$'000</b>	<b>AASB 15 Transition adjustments \$'000</b>	<b>Opening balance 1 January 2018 \$'000</b>
Current trade and other receivables	<i>(i)&amp;(ii)</i>	34,352	2,918	37,270	(18,825)	18,445
Current contract assets	<i>(ii)</i>	-	-	-	766	766
Current inventories	<i>(i)</i>	40,999	(2,918)	38,081	-	38,081
<b>Current assets impact</b>			-		<b>(18,059)</b>	
Non-current trade and other receivables	<i>(i)&amp;(ii)</i>	9,451	7,314	16,765	(8,766)	7,999
Non-current contract assets	<i>(ii)</i>	-	-	-	-	-
Non-current inventories	<i>(i)</i>	116,310	(7,314)	108,996	-	108,996
Deferred tax assets <sup>1</sup>	<i>(iv)</i>	11,535	-	11,535	(3,070)	8,465
<b>Non-current assets impact</b>			-		<b>(11,836)</b>	
<b>Total assets impact</b>			-		<b>(29,895)</b>	
Contract liabilities	<i>(iii)</i>	-	-	-	470	470
Deferred tax liabilities <sup>1</sup>	<i>(iv)</i>	11,535	-	11,535	(3,070)	8,465
<b>Total liabilities impact</b>			-		<b>(2,600)</b>	
<b>Net assets impact</b>			-		<b>(27,295)</b>	
Retained earnings	<i>(v)</i>	(146,198)	-	(146,198)	(27,295)	(173,493)
<b>Total equity impact</b>			-		<b>(27,295)</b>	

<sup>1</sup>Deferred tax assets and liabilities presented in the above table are set-off in the 31 December 2017 Annual Report pursuant to set-off provisions.

There were no material impacts to assets, liabilities and equity identified on retrospective adoption of AASB 9, however at the transition date, other amounts receivable and joint venture loans amounting to \$17.3m were identified to have cash flows linked to project feasibilities and volatile to risks that are inconsistent with a basic lending arrangement. These are measured at fair value through profit or loss beginning 1 January 2018.

- (i)* Re-assessment of accounting policy adopted in relation to a Land Management Agreement (LMA) as a Construction and Services contract under AASB 111 (previously revenue recognised under AASB 118 and costs incurred recognised as work-in progress under AASB 102) whereby the Group will account for all costs incurred to date as contract costs and revenue based on the existing accounting policy of the Group in relation to Construction and Service contracts *"where 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 costs incurred"* and with a view to reduce uncertainties around variable consideration the margin is only recognised on lots settled to date.

## **2. CHANGE IN ACCOUNTING STANDARDS AND ACCOUNTING POLICY JUDGEMENT** **(continued)**

### **Impact on application (continued)**

On retrospective application of this change in accounting policy judgement, impacts are as below:

- balance sheet re-classification of \$10.2m between inventories and trade and other receivables within the same class of assets;
- no impact on net assets or to the opening balance of retained earnings as there is no difference to the margin recognised on the contract under either of the methods;
- revenue and costs recognised for the comparative period would be higher only by \$47k and on the basis of materiality these have not been restated in the consolidated statement of comprehensive income.

(ii) AASB 15 standard provides new requirements for variable consideration as well as accounting for claims and variations as contract modifications which are subject to a higher threshold of probability for recognition. Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur. Under AASB 111, in relation to loss making projects, the Group recognised costs only which were considered probable of recovery in determining its best estimate of total loss on a contract. Since AASB 15 supersedes AASB 111, claims with third parties are now required to be assessed under AASB 137 with a higher threshold of being 'virtually certain' of recovery.

As at 31 December 2017, the Group had a net \$17.4m contract debtor claims included under trade and other receivables to be recovered from customers and third parties in relation to loss making construction projects carried out by Devine Constructions which on transition did not meet the higher threshold probability criteria.

As a result of the change in accounting policy judgement in relation to a LMA, the Group had a \$10.2m receivable from the Land Owner included under trade and other receivables for services transferred to date. On transition at 1 January 2018, this receivable was reclassified as a contract asset considering Group's right to payment is conditional on transfer of risk and benefits of ownership of individual allotments to third parties and \$9.4m of this contract asset did not meet the higher threshold probability criteria of the new standard.

(iii) As per the revenue recognition requirements under AASB 15, where the Group receives an upfront payment before completion of performance obligations on a contract, revenue has to be deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled obligations. Prior to adoption of AASB 15, revenue used to be recognised on transfer of ownership irrespective of the remaining performance obligations on a contract. On transition at 1 January 2018, the Group had a number of contracts where contract liability of \$0.5m had to be recognised.

(iv) Adjustments under the new standards are subject to tax effect accounting causing a net reduction in deferred tax liabilities. The Group has de-recognised losses to offset this net reduction in deferred tax liabilities.

(v) The total of adjustments (i) to (iv) above has been recognised in opening retained earnings.

There have been no material impacts on cash flow or other financial statement items on transition.

Other new accounting standards that are mandatory for the financial year beginning 1 January 2018 that have been adopted by the Group are as below:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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.

## **2. CHANGE IN ACCOUNTING STANDARDS AND ACCOUNTING POLICY JUDGEMENT** **(continued)**

Set out below are the impacts to each financial statement line item in the consolidated statement of comprehensive income, earnings/loss per share and consolidated statement of financial position for the year ended and as at 31 December 2018 as a result of the adoption of AASB 15 in comparison to previous AASB revenue standards. The adoption of AASB 15 did not have a material impact on the Group's operating, investing and financing cash flows.

Impact on consolidated statement of comprehensive income and earnings/loss per share is as follows:

- (i)** \$21.3m increase in revenue for the year ended 31 December 2018 on adoption of AASB 15 and is mainly comprised of the following:
  - \$12m insurance claims proceeds recognised during the period following an earlier AASB 15 adjustment as discussed in Note 2 (Impact on application) ;
  - \$9.3m cumulative adjustment of revenue during the period from an extension and modification achieved on a Land Management Agreement following an earlier AASB 15 adjustment as discussed in Note 2 (Impact on application) ;
  - \$0.5m revenue has been recognised in relation to contract liabilities that were recognised on retrospective application of AASB 15 (refer Notes 2 and 5(a)); and
  - offset by \$0.5m contract debtor claims to be recovered from customers in relation to construction projects derecognised during the period, refer (ii) of impact on consolidated statement of financial position.
- (ii)** \$0.3m decrease in finance expense on adoption of AASB 15 and this is mainly in relation to discounting of non-current portion of contract debtor claims and receivable from a Land Owner, refer (ii) of impact on consolidated statement of financial position;
- (iii)** Overall \$21.6m decline in total loss for the year ended 31 December 2018 and an improvement of \$12.9 cents in total earnings/loss per share on adoption of AASB 15.

Impact on consolidated statement of financial position is as follows:

- (i)** At 31 December 2018, contract assets include \$8.6m receivable from a Land Owner in relation to a Land Management Agreement and \$4.9m of this contract asset has been classified as non-current and discounted to present value. As per AASB 15, contract assets are generally recognised for revenue earned on work performed to date on the Group's service and construction contracts with customers where Group has right to payment for performance to date and is conditional on successful completion of milestones including transfer of risk and rewards of ownership to a third party. If AASB 15 had not been adopted \$3.7m of current contract assets and \$4.9m of non-current contract assets would be classified as current and non-current trade and other receivables.
- (ii)** If AASB 15 had not been adopted \$5.6m of contract debtor claims to be recovered from customers and third parties in relation to construction projects and \$0.1m of receivable from Land Owner under a Land Management Agreement would remain classified under non-current trade and other receivables and discounted to present value, refer (ii) of impact on consolidated statement of comprehensive income. \$5.5m of these receivables were derecognised on retrospective application of AASB 15 and \$0.5m contract debtor claims were derecognised during the period (refer Notes 2 and 30(b) and (i) of impact on consolidated statement of comprehensive income).
- (iii)** Overall \$5.7m decline in net assets and equity on adoption of AASB 15.

### **3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following new accounting standards have been published but are not mandatory for the 31 December 2018 reporting period:

#### **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. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). "

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset (ROU asset).

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

AASB 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under AASB 117.

#### **Transition to AASB 16**

The Group plans to adopt AASB 16 using the modified retrospective approach whereby the Group recognises the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 January 2019 and therefore the Group does not need to restate comparative figures in the 2019 financial statements.

On transition under the modified retrospective approach, in respect to all the existing leases of the Group as at 1 January 2019 with some exceptions:

- a lease liability is recognised that is equal to the remaining lease payments using an incremental borrowing rate as at the date of the initial application;
- a ROU asset is recognised as if AASB 16 had always been applied, but using the incremental borrowing rate as at the date of the initial application and applying a pro rata based on the remaining term of the lease; and
- any difference between the lease liability and ROU asset recognised is taken as an adjustment to the opening balance of equity as at 1 January 2019.

The Group will elect to use the below practical expedients that are available for leases that were previously categorised as operating leases under AASB 117:

- apply a single rate to a portfolio of leases with reasonably similar characteristics;
- rely on onerous lease assessment by applying AASB 137 immediately before the date of initial application;
- not recognise leases whose term ends within 12 months of the date of initial application (use short term lease accounting) and leases for which the underlying asset is of low value;
- exclude initial direct costs from the measurement of ROU assets at the date of the initial application; and
- use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

### **3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

#### **AASB 16 Leases effective 1 January 2019 (continued)**

As at 31 December 2018, the Group has non-cancellable operating lease commitments of \$3.3m (refer Note 25).

The Group has performed a detailed impact assessment of AASB 16.

A summary of impacts on the consolidated statement of financial position as at 1 January 2019 is expected to be as follows:

- (i) recognition of \$0.8m right-of-use assets under property, plant and equipment and a \$0.4m receivable in relation to a sub-lease with a non-current portion of \$0.2m thereby increasing total assets by \$1.2m;
- (ii) recognition of a lease liability of \$3.2m with a non-current portion of \$1.5m and reduction in onerous lease provisions and straight-lining lease accruals of \$1.5m included under provisions and trade and other payables thereby increasing total liabilities by \$1.7m; and
- (iii) overall \$0.5m decline in equity and net current assets.

Transition to the new standard is subject to tax effect accounting causing a net reduction in deferred tax assets. The Group will recognise previously unrecognised deferred tax assets to offset this reduction. Deferred tax assets and liabilities are set-off pursuant to set-off provisions in the consolidated statement of financial position as at 31 December 2018.

A summary of impacts on the consolidated statement of comprehensive income for 2019 is expected to be as follows:

- (i) the straight-line operating lease expense will be replaced with a straight-line depreciation charge for the right-of-use assets; and
- (ii) finance costs will increase due to the unwinding of the effective interest rate implicit in the lease and will be greater in the earlier years due to the higher principal value and will decrease over time.

The annual straight-line depreciation expense for the right-of-use assets is estimated to be \$390k and the average annual finance costs on unwind of the effective interest rate implicit in the lease is estimated to be \$50k.

Other new accounting standards that have been published but are not mandatory for the 31 December 2018 reporting period are as listed below:

- 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*
- Amendments to AASB 10 and AASB 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to AASB 9: *Prepayment Features with Negative Compensation*

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.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

The Group based its assumptions and estimates on information 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 and such changes are reflected in the assumptions when they occur.

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 land inventories held for development and resale at the reporting date, 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(i). These assessments may also be impacted by government policy, changes in interest rates and other economic factors;
- On determining the timing of satisfaction of performance obligations for a service contract being a Land Management Agreement with a Land Owner, the Group has concluded that revenue should be recognised over time as the benefit of the services performed by the Group under a Land Management Agreement is transferred to the Land Owner on a continued basis and the work completed to date serves to reduce the Land Owner's future costs of getting the land ready for sale. The Group determined that the cost incurred to date is not proportionate to the progress achieved towards completion of performance obligations under the Land Management Agreement including the sale of individual allotments and the enhanced cost of the asset owned by the Land Owner is significant relative to the expected costs to completely satisfy all the remaining performance obligations and hence the input method adjusted to recognise revenue only to the extent of costs incurred is the appropriate method of measuring progress;
- In other service contracts in relation to property and land development, performance obligations are fulfilled over a period of time as the Group enhances assets which the customer controls and for which the Group has enforceable right to payment only on achievement of certain agreed milestones including transfer of risk and rewards of ownership on sale of land or property. In such contracts, the Group has determined that revenue should only be recognised at a point in time on achievement of certain agreed milestones including transfer of risk and rewards of ownership on sale of land or property;
- The transaction price for the services under a Land Management Agreement with a Land Owner is a fixed percentage of proceeds from sale of allotments and is entirely variable in nature. The Group has determined that using a combination of the most likely amount method and expected value method and based on information including historical, current and forecast that are reasonably available to the Group is the most appropriate method for estimating variable consideration in respect to this transaction price. Consideration is recognised to the extent of costs incurred and only where it is probable that the cost will be recovered. With a view to reduce uncertainties consideration recognised excludes any margin and the margin is only recognised on settlement of allotments. The Group considers whether the amount of variable consideration is constrained before including it in the transaction price based on a biannual detailed assessment of historical experience, current and forecast information including current market outlook, economic conditions and other external factors. Accordingly, the Group has determined that the estimates of variable consideration are not constrained;

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

- The exposure to credit risk from trade receivables, contract assets, other receivables and financial guarantee contracts are monitored by the Group on an ongoing basis. An impairment assessment is performed at each reporting date using a matrix based on various factors including days past due, operating segments, customer type and rating and credit enhancements available in the form of guarantees, insurance and collateral. The assessment reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For assets that are measured at fair value through profit or loss and categorised within Level 3 of the fair value hierarchy, significant unobservable inputs used in the fair value measurements include discounts for counterparty credit risk and risks resulting from delays in project completion. During the period the Group has recognised an expected credit loss allowance of \$0.25m on trade receivables, \$0.25m fair value adjustment loss in relation to joint venture loans and \$1.2m of other amounts receivable from Group's joint ventures have been written-off during the period, refer Notes 9, 28(g) and 34(b) & (d);
- The Brand Name asset is tested for impairment by the Group using the Relief-from-Royalty method at every reporting period. The method uses 5 year royalty projections and an extrapolated terminal value discounted for time value of money using a risk adjusted rate to arrive at a net present value (NPV). Royalty projections are based on revenue forecast for the Group (including revenue from joint ventures) and on comparing the NPV with the carrying value of \$3.3m at the reporting date, it was determined that the Brand Name asset is not impaired, refer Notes 16 and 1(j).
- 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. Deferred tax assets of \$43.9m (2017: \$36.1m) in respect of overall total tax losses of \$146.3m (2017: 131.4m) and \$7.5m deferred tax assets arising from deductible temporary differences (2017: nil) have not been recognised by the Group as there is not sufficient certainty that future taxable amounts will be available in the short term to utilise these losses, refer Note 8.

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**5. REVENUE FROM CONTINUING OPERATIONS**

12 months ended 31 December 2018	Communities	Development	Construction	Total continuing operations
	\$'000	\$'000	\$'000	\$'000
<b>Revenue from contracts with customers</b>				
Revenue from land development and resale	23,391	-	-	23,391
Revenue from services	11,064	-	-	11,064
<b>Total revenue from external customers</b>	<b>34,455</b>	<b>-</b>	<b>-</b>	<b>34,455</b>
Revenue from construction activities	-	-	5,058	5,058
Revenue from services	1,837	237	-	2,074
<b>Total revenue from related parties</b>	<b>1,837</b>	<b>237</b>	<b>5,058</b>	<b>7,132</b>
<b>Total revenue from contracts with customers</b>	<b>36,292</b>	<b>237</b>	<b>5,058</b>	<b>41,587</b>
<i>Timing of revenue recognition</i>				
At a point in time	24,757	1	-	24,758
Over time	11,535	236	5,058	16,829
<b>Total revenue from contracts with customers</b>	<b>36,292</b>	<b>237</b>	<b>5,058</b>	<b>41,587</b>
<b>Other revenue</b>				
Proceeds from insurance claims	-	-	14,500	14,500
Rental income	228	-	-	228
Sundry income	132	-	450	582
<b>Total other revenue</b>	<b>360</b>	<b>-</b>	<b>14,950</b>	<b>15,310</b>
<b>Total revenue from continuing operations</b>	<b>36,652</b>	<b>237</b>	<b>20,008</b>	<b>56,897</b>

- \$9.3m of the revenue from services (external customers) relate to a cumulative adjustment of revenue during the period from an extension and modification achieved on a Land Management Agreement (LMA) (refer Note 2).
- \$5.1m of revenue from construction activities (related parties) relate to recognition of deferred construction revenue from a residential apartment construction project entered into with a Group's joint venture based on progress achieved with sale of apartment units by the joint venture during the period.
- \$14.5m proceeds from insurance claims mainly relate to costs recovered from insurers in relation to residential apartment construction projects carried out by Devine Constructions (refer Note 2).

Notes to the consolidated financial statements  
For the financial year ended 31 December 2018  
(continued)

**5. REVENUE FROM CONTINUING OPERATIONS (continued)**

12 months ended 31 December 2017 <sup>1</sup>	Communities \$'000	Development \$'000	Construction \$'000	Total continuing operations \$'000
<b>Revenue from contracts with customers</b>				
Revenue from land development and resale	24,662	-	-	24,662
Revenue from construction activities	-	-	746	746
Revenue from services	1,316	-	-	1,316
<b>Total revenue from external customers</b>	<b>25,978</b>	<b>-</b>	<b>746</b>	<b>26,724</b>
Revenue from construction activities	-	-	17,025	17,025
Revenue from services	253	1,714	-	1,967
<b>Total revenue from related parties</b>	<b>253</b>	<b>1,714</b>	<b>17,025</b>	<b>18,992</b>
<b>Total revenue from contracts with customers</b>	<b>26,231</b>	<b>1,714</b>	<b>17,771</b>	<b>45,716</b>
<b>Other revenue</b>				
Proceeds from insurance claims	-	-	266	266
Rental income	524	-	-	524
Sundry income	67	-	73	140
<b>Total other revenue</b>	<b>591</b>	<b>-</b>	<b>339</b>	<b>930</b>
<b>Total revenue from continuing operations</b>	<b>26,822</b>	<b>1,714</b>	<b>18,110</b>	<b>46,646</b>

<sup>1</sup>Comparatives have been reclassified and repositioned for consistency with current year disclosures as discussed in Note 1(aa).

- \$14.3m of revenue from construction activities (related parties) relate to recognition of deferred construction revenue from a residential apartment construction project entered into with a Group's joint venture based on progress achieved with sale of apartment units by the joint venture during the period.

## **5. REVENUE FROM CONTINUING OPERATIONS (continued)**

### **(a) Contract balances – revenue from contracts with customers**

	<b>31 December 2018 \$'000</b>	<b>Opening 1 January 2018 \$'000</b>
Trade receivables (refer Note 9)	283	1,600
Less: Allowances for expected credit losses (refer Note 9)	(250)	-
<b>Total trade receivables</b>	<b>33</b>	<b>1,600</b>
Contract assets (refer Note 10)	8,637	-
Add: AASB 15 transition adjustments <sup>1</sup>	-	766
<b>Total contract assets</b>	<b>8,637</b>	<b>766</b>
Contract liabilities	-	-
Add: AASB 15 transition adjustments <sup>1</sup>	-	470
<b>Contract liabilities</b>	<b>-</b>	<b>470</b>

<sup>1</sup>Refer to Note 2 for details on opening balance adjustments made on application of new accounting standards.

Trade receivables are generally on terms of 30 - 60 days from invoice date. Group's trade receivables are maintained at a reduced level since the current activities of the Group are concentrated on development and sale of real estate (residential land, residential units and retail/commercial office developments) where title does not transfer until settlement has occurred and the cash has been received.

31 December 2018 trade receivables include \$0.25m project fee receivable from a Group's joint venture (1 January 2018 (restated): \$1.6m). During 2018, \$0.25m was recognised as a provision for expected credit losses on trade receivables, refer Note 34(b).

Contract assets are generally recognised for revenue earned on work performed to date on the Group's service and construction contracts with customers where Group has right to payment for performance to date and is conditional on successful completion of milestones including transfer of risk and rewards of ownership to a third party. On successful completion of milestones, the amounts recognised as contract assets are reclassified to trade receivables.

31 December 2018 contract assets include \$8.6m receivable from a Land Owner in relation to a Land Management Agreement and \$4.9m of this contract asset has been classified as non-current and discounted to present value.

Contract assets restated as at 1 January 2018 include \$0.8m receivable from Land Owner in relation to a Land Management Agreement reclassified from trade and other receivables on retrospective application of AASB 15 (refer Note 2).

Significant movements in contract assets during 2018 mainly include \$9.3m cumulative adjustment of revenue from an extension and modification achieved on a Land Management Agreement (refer Notes 2 and 5) offset by \$0.6m discounting impact recognised on the non-current portion (refer Note 7) and consideration received from the Land Owner during the period.

Contract liabilities restated as at 1 January 2018 include \$0.5m upfront payment to the extent of unfulfilled performance obligations on a contract. During 2018 \$0.5m revenue has been recognised in relation to these contract liabilities and there are no other contract liabilities recognised as at 31 December 2018.

During the period, \$0.5m revenue has been recognised from amounts included in contract liabilities at the beginning of the year and \$14.9m revenue has been recognised from performance obligations satisfied in the previous years.

## **5. REVENUE FROM CONTINUING OPERATIONS (continued)**

### **(b) Performance obligations – revenue from contracts with customers**

#### ***Land development and resale***

Performance obligations include transfer of risks and benefits of ownership transfer (i.e. control over the property) to a customer along with obtaining development approvals, permits and licences, plan and design subdivision of land, construction of infrastructure and provision of utilities.

The revenue is measured at the transaction price agreed under the contract. The Group has right to payment for work performed only on actual land settlement, when risk and benefits of ownership are transferred to the customer.

Where the Group receives an upfront payment on transfer of ownership and before completion of performance obligations on a contract, the revenue is deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled obligations.

#### ***Property development***

Performance obligations include transfer of risks and benefits of ownership transfer (i.e. control over the property) to a customer along with obtaining development approvals, permits and licences, plan, design and construction of property and provision of utilities.

The revenue is measured at the transaction price agreed under the contract. The Group has right to payment for work performed only on actual settlement of individual units or property, when risk and benefits of ownership are transferred to the customer.

If a warranty, beyond fixing the defects that existed at the time of sale is provided to customers then the warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated towards this separate performance obligation.

In certain instances, rental guarantees for a period of time are provided as buyer incentives at the time of sale. The rental guarantee obligation is accounted for as a separate performance obligation and a portion of the transaction price is allocated towards this separate performance obligation.

#### ***Services revenue – Land Management Agreement (LMA)***

Performance obligations under a Land Management Agreement with the Land Owner include obtaining development approvals, permits and licences, plan and design subdivision of land, construction of infrastructure and provision of utilities and marketing and sale of the individual allotments.

The performance obligations are fulfilled over time as the Group enhances the asset owned by the Land Owner, for which the Group does not have an alternative use and for which the Group has an enforceable right to payment for works completed to date.

The transaction price is a fixed percentage of proceeds from sale of allotments and is variable in nature. The Group accounts for all costs incurred to date as contract costs and where it is probable that the cost will be recovered, revenue is recognised to the extent of costs incurred. With a view to reduce uncertainties consideration recognised excludes any margin and the margin is only recognised on settlement of allotments. The Group has assessed expected credit losses in respect of these assets and do not consider any allowance is required, refer Note 4.

Land Owner is invoiced on the basis of completion of final performance obligation being the sale of individual allotments for a fixed percentage of sale proceeds. Payment is received following invoice on normal commercial terms.

## **5. REVENUE FROM CONTINUING OPERATIONS (continued)**

### **(b) Performance obligations – revenue from contracts with customers (continued)**

#### ***Services revenue – Other***

In other service contracts in relation to property and land development, performance obligations include providing necessary assistance and advice to the customers in relation to obtaining development approvals, permits and licences, plan and design subdivision of land, construction of infrastructure and provision of utilities and marketing and sale of the individual allotments etc.

These obligations are fulfilled over a period of time as the Group enhances assets which the customer controls and for which the Group has enforceable right to payment only on achievement of certain agreed milestones including transfer of risk and rewards of ownership on sale of land or property. In such contracts revenue is recognised at a point in time in the accounting period when the milestones have been achieved based on the expected transaction price being a fixed amount or a fixed percentage and contract costs are recognised as an expense as incurred.

Customers are in general invoiced on a monthly basis or on the basis of completion of milestones. Payment is received following invoice on normal commercial terms.

#### ***Construction contracts***

Performance obligations may include design and construction of one or several components of a large project. The performance obligations are fulfilled over time as the Group enhances the asset owned and controlled by the customer, for which the Group does not have an alternative use and for which the Group has an enforceable right to payment for works completed to date.

The transaction price is normally fixed at the start of the project. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration.

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or to match major capital outlay. Invoices are paid on normal commercial terms, which may include the customer withholding a retention amount until finalisation of the construction.

Certain construction projects entered into receive payment prior to work being performed in which case revenue is deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled performance obligations.

### **(c) Remaining performance obligations – revenue from contracts with customers**

As of 31 December 2018, the aggregate amount of transaction price allocated to the remaining performance obligations under a Land Management Agreement with a Land Owner is \$29.3m and the Group will recognise this revenue over completion of the development in the next 6-7 years.

With a view to reduce uncertainties around variable consideration the transaction price for remaining performance obligations does not include margin. The Group considers that revenues will be recovered at least to the extent of costs incurred on the project.

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**6. EXPENSES FROM CONTINUING OPERATIONS**

Expenses, excluding finance expenses, included in the statement of comprehensive income:

	12 months to December 2018 \$'000	12 months to December 2017 <sup>1</sup> \$'000
Cost of sales	30,153	52,206
Inventory impairment (net of write-backs on settlements)	39,389	1,480
Marketing and selling costs	3,294	4,576
Occupancy	2,298	2,043
Administration	5,998	9,525
Land holding expenses	796	904
Other	1,698	9,681
<b>Total expenses</b>	<b>83,626</b>	<b>80,415</b>

<sup>1</sup>Comparatives have been reclassified and repositioned for consistency with current year disclosures as discussed in Note 1(aa).

- December 2018 cost of sales include \$1.2m write-off of other amounts receivable from Group's joint ventures in relation to land development services (December 2017: nil), refer Note 9 and 34(b).
- December 2018 inventory impairment (net of write-backs on settlements) includes \$40.5m write-down of inventories (December 2017: \$3.3m), refer Note 11.
- December 2018 occupancy includes \$1m of onerous provision recognised in relation to Brisbane office lease.
- December 2018 administration includes \$0.3m of onerous provision recognised in relation to equipment lease and employee benefits of \$4.6m (December 2017: employee benefits of \$6.3m)
- December 2018 other includes \$0.5m of expected credit losses and fair value adjustment recognised in relation to trade and other receivables (refer Note 34(b)), \$0.1m impairment of leasehold improvements at level 2 of the Brisbane office and depreciation expense of \$0.2m (refer Note 15).
- December 2017 other 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 29(a), 29(b)(ii)&(iii)), \$1.3m impairment of loans to a related joint venture, provisions raised of \$0.4m, \$0.4m impairment of leasehold improvements at level 1 of the South Adelaide office and depreciation expense of \$0.5m (refer Note 15).

**7. NET FINANCE INCOME/ (EXPENSE) FROM CONTINUING OPERATIONS**

	12 months to December 2018 \$'000	12 months to December 2017 \$'000
<b>Finance income</b>		
Interest income	21	86
Unwinding of discounts	23	404
<b>Total finance income</b>	<b>44</b>	<b>490</b>
<b>Finance expense</b>		
Interest costs	1,540	1,591
Borrowing costs	596	700
Interest costs capitalised to inventory (refer Note 11)	(1,493)	(1,536)
Borrowing costs capitalised to inventory (refer Note 11)	(479)	(652)
Impact of discounting	769	117
<b>Total finance expense</b>	<b>933</b>	<b>220</b>
<b>Net finance (expense)/ income</b>	<b>(889)</b>	<b>270</b>

## 8. INCOME TAX EXPENSE

### (a) Income tax expense

	12 months to December 2018 \$'000	12 months to December 2017 \$'000
<b>Current tax expense:</b>		
Adjustments in respect of prior periods	-	-
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods		
- prior year timing differences	-	-
<b>Income tax expense reported in the consolidated statement of comprehensive income</b>	-	-

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

	12 months to December 2018 \$'000	12 months to December 2017 \$'000
Loss from continuing operations before income tax expense	(23,857)	(27,497)
Loss from discontinuing operations before income tax expense*	(1,336)	(895)
<b>Total loss before income tax expense</b>	(25,193)	(28,392)
Tax at the Australian tax rate of 30% (2017 - 30%)	(7,558)	(8,518)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Tax losses and temporary differences not recognised	7,557	8,517
Entertainment	1	1
<b>Total income tax expense</b>	-	-
Income tax expense for continuing operations	-	-
Income tax expense for discontinuing operations	-	-
<b>Total income tax expense</b>	-	-

\* Refer Notes 31 and 35 for more detail

### (c) Tax losses

The Group has total tax losses of \$146,263,991 (December 2017: \$131,417,416) which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met.

Deferred tax assets in respect of these losses of \$43,879,197 (December 2017: \$36,133,918) and \$7,541,319 deferred tax assets arising from deductible temporary differences (December 2017: nil) 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 these tests will continue to be met.

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**9. TRADE AND OTHER RECEIVABLES**

	<b>31 December 2018 \$'000</b>	31 December 2017 <sup>1</sup> \$'000
Trade receivables	283	1,600
Less: Allowance for expected credit losses (refer Notes 6 & 34(b))	(250)	-
<b>Total trade receivables</b>	<b>33</b>	<b>1,600</b>
Joint venture loans	13,626	19,735
Other amounts receivable	3,862	32,650
Deposits	40	50
<b>Total other receivables</b>	<b>17,528</b>	<b>52,435</b>
<b>Total trade and other receivables</b>	<b>17,561</b>	<b>54,035</b>
Current	17,561	37,270
Non-current	-	16,765
<b>Total trade and other receivables</b>	<b>17,561</b>	<b>54,035</b>

<sup>1</sup>Comparatives have been restated in relation to retrospective adoption of change in accounting policy judgement and reclassified and repositioned for consistency with current year disclosures as discussed in Notes 1(aa) and 2.

- For details including terms and conditions on trade receivables refer Notes 1(h)(i), 5(a) and 28(g).
- During the year, \$7.3m loans were repaid by the joint ventures from land and apartment settlement proceeds and an additional \$1.4m cash funding was provided to the joint ventures, refer consolidated statement of cash flows for movements in joint venture loans.
- 31 December 2018 joint venture loans are expected to be received within 12 months from the reporting date. (December 2017: \$5.7m classified as non-current), refer Note 28(g).
- 31 December 2017 other amounts receivable mainly comprise:
  - \$17.5m net contract debtor claims to be recovered in relation to construction projects with a non-current portion of \$1.5m (31 December 2018: nil, refer Note 2);
  - \$10.2m receivable from the Land Owner in relation to a Land Management Agreement with a non-current portion of \$7.3m ((31 December 2018: nil, refer Notes 2 and 5(a));
  - \$3.7m fee receivable from a customer and GST credit on the revised fee value with a non-current portion of \$1.5m. At 31 December 2018, this receivable stands at \$3.6m and is expected to be received within 12 months from the reporting date; and
  - \$1.2m of costs to be recovered from Group's joint ventures in relation to provision of land development services in the prior years with a non-current portion of \$0.8m, refer Note 28(g). This receivable has been written-off to cost of sales based on a recoverability assessment performed during 2018 (refer Notes 6, 28(g) and 34(b)).
- 31 December 2018 other amounts receivable also include \$0.2m receivable from related parties, refer Note 28(g).
- At 31 December 2018, \$13.4m of joint venture loans and \$3.4m of other amounts receivable are measured at fair value through profit or loss and categorised within Level 3 of the fair value hierarchy. Significant unobservable inputs used in the fair value measurements include discounts for counterparty credit risk and risks resulting from delays in project completion and during the period \$0.25m fair value adjustment loss was recognised in relation to joint venture loans (2017: \$1.25m impairment), refer Notes 6, 34(b) & (d) and 28(g).

**10. CONTRACT ASSETS**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Contract assets	8,637	-
<b>Total contract assets</b>	<b>8,637</b>	<b>-</b>
Current	3,744	-
Non-current	4,893	-
<b>Total contract assets</b>	<b>8,637</b>	<b>-</b>

- For details on contract assets refer Note 5(a).

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**11. INVENTORIES**

	<b>31 December 2018 \$'000</b>	31 December 2017 <sup>1</sup> \$'000
<b>Work in progress</b>		
Work in progress	-	28
	-	28
<b>Land held for sale</b>		
Acquisition costs	<b>14,981</b>	49,508
Development costs capitalised	<b>79,919</b>	97,541
	<b>94,900</b>	147,049
<b>Total inventories - at the lower of cost and net realisable value</b>	<b>94,900</b>	147,077
Current	<b>23,022</b>	38,081
Non-current	<b>71,878</b>	108,996
<b>Total inventories - at the lower of cost and net realisable value</b>	<b>94,900</b>	147,077

<sup>1</sup>Comparatives have been restated in relation to retrospective adoption of change in accounting policy judgement as discussed in Note 2.

- The decrease in inventories at 31 December 2018 compared to 31 December 2017 mainly relates to impairments and sales during the period (refer Note 6).
- At 31 December 2018, land inventories with a carrying value of \$8.4m (December 2017: \$20.5m) have been pledged as security for a joint venture debt – refer Notes 14(b), 34(b) and 34(f).

**Capitalised interest and borrowing costs**

The amount of interest and borrowing costs capitalised to inventory during the financial year ended 31 December 2018 was \$2m (December 2017: \$2.2m), refer Note 7. The weighted average interest rate on borrowings at 31 December 2018 is 3.26% (December 2017: 3.37%), refer Note 34(a).

## 12. CONTROLLED ENTITIES

### Interests in controlled entities

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

Name of entity	Principal activities	Equity Interest **	
		December 2018 %	December 2017 %
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 controlled entities 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 controlled entities are incorporated and registered in Australia. Australia is also their principal place of business.

\* These controlled entities 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 13. There was no requirement to lodge an updated Deed of Cross Guarantee with ASIC for the financial year ending 31 December 2018.

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

### **13. DEED OF CROSS GUARANTEE**

Devine Limited and it controlled entities specifically referenced in Note 12 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 2018 for the Closed Group.

	<b>12 months to December 2018 \$'000</b>	12 months to December 2017 \$'000
<b>Consolidated statement of profit or loss</b>		
Loss before tax from continuing operations	<b>(28,513)</b>	(26,958)
Income tax expense	<b>(2,988)</b>	(815)
Loss after tax from continuing operations	<b>(31,501)</b>	(27,773)
Loss after tax from discontinued operations	<b>(1,336)</b>	(895)
<b>Loss for the year</b>	<b>(32,837)</b>	(28,668)

#### **Summary of movements in consolidated accumulated losses**

<b>Accumulated losses at the beginning of the reporting period</b>	<b>(146,788)</b>	(118,120)
Opening balance adjustment on application of new accounting standards	<b>(27,295)</b>	-
Loss for the year	<b>(32,837)</b>	(28,668)
<b>Accumulated losses at the end of the reporting period</b>	<b>(206,920)</b>	(146,788)

- Following a detailed expected credit loss assessment performed on intercompany balances at a 'Closed Group' level and Parent entity level, a net \$5m of intercompany balances of the 'Closed Group' have been forgiven. This has nil impact at a Devine Limited consolidated entity level.
- Net deferred tax assets of \$3.7m have been derecognised during the period (December 2017 net deferred tax assets: \$3m). This has nil impact at a Devine Limited consolidated entity level.

### 13. 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 2018 for the Closed Group.

	<b>31 December 2018 \$'000</b>	31 December 2017 <sup>1</sup> \$'000
<b>Current assets</b>		
Cash and cash equivalents	1,413	295
Trade and other receivables	17,561	37,270
Contract assets	3,744	-
Inventories	22,551	35,548
Prepayments	824	1,180
<b>Total current assets</b>	<b>46,093</b>	<b>74,293</b>
<b>Non-current assets</b>		
Trade and other receivables	46,730	66,845
Contract assets	4,893	-
Inventories	17,418	57,895
Investments accounted for using the equity method	21,925	19,215
Plant and equipment	176	456
Deferred tax assets	-	2,988
Intangible assets	3,316	3,316
<b>Total non-current assets</b>	<b>94,458</b>	<b>150,715</b>
<b>Total assets</b>	<b>140,551</b>	<b>225,008</b>
<b>Current liabilities</b>		
Trade and other payables	12,678	23,754
Interest bearing loans	-	46,617
Provisions	2,578	2,591
<b>Total current liabilities</b>	<b>15,256</b>	<b>72,962</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	4,709
Interest bearing loans	35,985	-
Provisions	3,526	1,422
<b>Total non-current liabilities</b>	<b>39,511</b>	<b>6,131</b>
<b>Total liabilities</b>	<b>54,767</b>	<b>79,093</b>
<b>Net assets</b>	<b>85,784</b>	<b>145,915</b>
<b>Equity</b>		
Contributed equity	292,367	292,367
Reserves	337	336
Accumulated losses	(206,920)	(146,788)
<b>Total equity</b>	<b>85,784</b>	<b>145,915</b>

<sup>1</sup>Comparatives have been restated as part of adoption of change in accounting policy judgement and reclassified and repositioned for consistency with current year disclosures as discussed in Notes 1(aa) and 2.

## 14. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

	<b>31 December 2018 \$'000</b>	31 December 2017 <sup>1</sup> \$'000
<b>Statement of financial position</b>		
<i>Assets</i>		
Current assets	<b>27,797</b>	40,996
Non-current assets	<b>87,720</b>	175,790
<b>Total assets</b>	<b>115,517</b>	216,786
<i>Liabilities</i>		
Current liabilities	<b>3,371</b>	50,778
Non-current liabilities	<b>37,335</b>	886
<b>Total liabilities</b>	<b>40,706</b>	51,664
<b>Net assets</b>	<b>74,811</b>	165,122
<i>Equity</i>		
Contributed equity	<b>292,367</b>	292,367
Reserves	<b>337</b>	336
Accumulated losses	<b>(217,893)</b>	(127,581)
<b>Total equity</b>	<b>74,811</b>	165,122
<b>Total loss and comprehensive loss for the year</b>	<b>(90,311)</b>	(28,544)

<sup>1</sup>Comparatives have been reclassified and repositioned for consistency with current year disclosures as discussed in Note 1(aa).

- Following a detailed expected credit loss assessment performed on intercompany balances at a 'Closed Group' level and Parent entity level, a net \$53.4m of intercompany balances of the Parent entity have been forgiven. This has nil impact at a Devine Limited consolidated entity level.
- Net deferred tax assets of \$1.4m have been derecognised during the period (December 2017 net deferred tax assets: \$3.2m). This has nil impact at a Devine Limited consolidated entity level.

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

Devine Limited and its controlled entities have provided bank guarantees and surety bonds totalling \$18.8m at 31 December 2018 (December 2017: \$21.7m) relating to individual land developments of the Group including joint ventures and other aspects of the Group's operations. The bonds are secured by indemnities and corporate guarantees from the respective entities. No liabilities are expected to arise, refer Note 34(e).

Devine Limited and Devine Land Pty Ltd, a 100% controlled entity of Devine Limited has provided guarantees jointly and severally for the performance of a Group's joint venture for a debt totalling \$15m at 31 December 2018 (December 2017: \$15.4m). This debt has been primarily secured against assets of the joint venture with a carrying value of \$33.4m at the reporting date (December 2017: \$41.1m) and a land asset with a carrying value of \$8.4m owned by Devine Land Pty Ltd at the reporting date (December 2017: \$20.5m). The joint venture debt is also backed by guarantees from the joint venture partner and the debt is to be repaid from the property sales of the joint venture. No liabilities are expected to arise, refer Notes 11, 34(b)&(f) and 30(a)(i).

Devine Limited has provided a guarantee for the performance of a Group's joint venture in proportion to its 50% shareholding interest for a debt totalling \$54k at 31 December 2018 (December 2017: \$20.4m) which has been primarily secured against assets of the joint venture with a carrying value of \$45.6m at the reporting date (December 2017: \$59.4m). The debt is to be repaid from the property sales of the joint venture. No liabilities are expected to arise, refer Notes 34(b) and 30(a)(i).

## **14. PARENT ENTITY FINANCIAL INFORMATION (continued)**

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

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 given a similar guarantee in the event that Devine Limited is wound up. No liabilities are expected to arise, refer Note 12.

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

For further information about contingencies refer to Note 30(a).

## **15. PLANT AND EQUIPMENT**

	Leasehold improvements \$'000	Computer equipment \$'000	Other plant and equipment \$'000	Total \$'000
<b>Year ended 31 December 2018</b>				
Opening net book amount	320	136	-	456
Additions	-	17	-	17
Disposals	-	-	-	-
Assets written off	(51)	-	(4)	(55)
Depreciation charge	(172)	(74)	-	(246)
Depreciation write back on disposals and assets written off	-	-	4	4
<b>Closing net book amount</b>	<b>97</b>	<b>79</b>	<b>-</b>	<b>176</b>
<b>At 31 December 2018</b>				
Cost	2,352	545	237	3,134
Accumulated depreciation	(2,255)	(466)	(237)	(2,958)
<b>Closing net book amount</b>	<b>97</b>	<b>79</b>	<b>-</b>	<b>176</b>
<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	(422)	(1)	(42)	(465)
Depreciation charge	(391)	(83)	(22)	(496)
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>Closing net book amount</b>	<b>320</b>	<b>136</b>	<b>-</b>	<b>456</b>

- December 2018 leasehold improvements write-off of \$51k relates to QLD office, refer Note 6.
- December 2017 leasehold improvements write-off of \$422k relates mainly to SA office, refer Note 6.

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**16. INTANGIBLE ASSETS**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
<b>Brand Name</b>		
Cost	<b>3,316</b>	3,316
<b>Net book amount</b>	<b>3,316</b>	3,316

**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 an 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 communities segment. The communities segment 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 (2017: 0.7%) and a terminal value is extrapolated using year 5 royalty projection, a growth rate of 3% (2017: 3%) and a risk adjusted discount rate of 7.4% (2017: 7.6%). Royalty projections for first 5 years and the terminal value are adjusted by a tax rate of 30% (2017: 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. DEFERRED TAX ASSETS**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Accrued expenses	<b>128</b>	194
Allowance for credit losses	<b>75</b>	795
Employee benefits	<b>36</b>	89
Establishment fees	<b>49</b>	233
Inventories	<b>7,673</b>	5,149
Investment in joint ventures	<b>-</b>	141
Provisions	<b>1,795</b>	1,642
Tax losses	<b>-</b>	3,291
Prepaid borrowing costs	<b>34</b>	1
Other	<b>164</b>	-
Total deferred tax assets	<b>9,954</b>	11,535
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18)	<b>(9,954)</b>	(11,535)
<b>Net deferred tax assets</b>	<b>-</b>	-

**Movements:**

Opening balance	<b>11,535</b>	16,482
Credited/(charged) to the statement of comprehensive income	<b>1,489</b>	(4,947)
AASB 15 transition adjustments (refer Note 2)	<b>(3,070)</b>	-
Set-off (refer Note 18)	<b>(9,954)</b>	(11,535)
<b>Closing balance</b>	<b>-</b>	-

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**18. DEFERRED TAX LIABILITIES**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Brand name	995	995
Inventories	8,036	10,490
Investment in joint ventures	923	
Other	-	50
	<b>9,954</b>	<b>11,535</b>
Set-off of deferred tax assets pursuant to set-off provisions (Note 17)	<b>(9,954)</b>	<b>(11,535)</b>
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>

**Movements:**

Opening balance	11,535	16,482
Charged/(credited) to statement of comprehensive income	1,489	(4,947)
AASB 15 transition adjustments (refer Note 2)	<b>(3,070)</b>	-
Set off (refer Note 17)	<b>(9,954)</b>	<b>(11,535)</b>
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**19. TRADE AND OTHER PAYABLES**

	<b>31 December 2018 \$'000</b>	31 December 2017 <sup>1</sup> \$'000
Trade payables	3,498	5,676
Advances from joint ventures	9,154	20,985
Other amounts payable	28	1,815
Other payables	9,182	22,800
<b>Total trade and other payables</b>	<b>12,680</b>	<b>28,476</b>
Current	12,680	23,767
Non-current	-	4,709
<b>Total trade and other payables</b>	<b>12,680</b>	<b>28,476</b>

<sup>1</sup>Comparatives have been reclassified and repositioned for consistency with current year disclosures as discussed in Note 1(aa).

- During the year, \$11.8m repayments were made towards advances from joint ventures from Wallan englobo land parcel and school site land settlement proceeds, refer consolidated statement of cash flows for movements in joint venture working capital loans.
- 31 December 2018 advances from joint venture loans are expected to be repaid within 12 months from the reporting date. (December 2017: \$4.7m classified as non-current), refer Note 28(h).
- 31 December 2017 other amounts payable include \$1.7m of sub-contractor retentions on residential apartment construction projects to be withheld until expiry of defects liability period (DLP), however following completion of DLP on all the construction projects at the reporting date sub-contractor retentions of \$0.4m have been classified under Trade payables.
- The decrease in trade payables at 31 December 2018 compared to 31 December 2017 is mainly due to reduction in construction and land development accruals following completion of construction projects and reduced land development activity during December 2018.
- For other details including terms and conditions on trade and other payables refer Notes 1(m) and 34(c).

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**20. INTEREST BEARING LIABILITIES**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Secured bank loans	-	46,617
Unsecured bank loans	<b>35,985</b>	-
<b>Total interest bearing liabilities</b>	<b>35,985</b>	46,617
Current	-	46,617
Non-current	<b>35,985</b>	-
<b>Total interest bearing liabilities</b>	<b>35,985</b>	46,617

For details on interest bearing liabilities - refer Notes 34(c) and (e)

**21. PROVISIONS**

	<b>Employee \$'000</b>	<b>Legal and Structural Warranties \$'000</b>	<b>Onerous operating lease \$'000</b>	<b>Lease make-good \$'000</b>	<b>Total \$'000</b>
At 1 January 2018	1,055	1,727	749	483	4,014
Arising during the year	352	1,948	1,597	37	3,934
Utilised	(550)	(925)	(371)	-	(1,846)
<b>At 31 December 2018</b>	<b>857</b>	<b>2,750</b>	<b>1,975</b>	<b>520</b>	<b>6,102</b>
Current	667	1,000	910	-	2,577
Non-current	190	1,750	1,065	520	3,525
At 31 December 2017	1,055	1,727	749	483	4,014
Current	766	1,727	99	-	2,592
Non-current	289	-	650	483	1,422

For details on movements in onerous operating lease and legal and structural warranty provisions during the period, refer Notes 6 and 31(b).

**22. CONTRIBUTED EQUITY**

**(a) Share capital**

	<b>31 December 2018 Shares</b>	31 December 2017 Shares	<b>31 December 2018 \$'000</b>	31 December 2017 \$'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**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>\$'000</b>
1 January 2018	Opening balance	158,730,556	292,367
31 December 2018	Closing balance	158,730,556	292,367

## **22. 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:

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Interest bearing loans	35,985	46,617
Less: Cash and cash equivalents	<b>(1,413)</b>	(295)
<b>Net debt</b>	<b>34,572</b>	46,322
Total assets	<b>148,785</b>	225,612
Less: Cash and cash equivalents	<b>(1,413)</b>	(295)
<b>Assets</b>	<b>147,372</b>	225,317
<b>Gearing ratio</b>	<b>23.5%</b>	20.6%

## **23. RESERVES AND RETAINED EARNINGS/(ACCUMULATED LOSSES)**

### **(a) Reserves**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Share based payment reserve	<b>337</b>	336

#### **Movements:**

#### ***Share-based payments reserve***

Opening balance	<b>336</b>	<b>331</b>
Share-based payment expense (refer Note 27)	<b>1</b>	<b>5</b>
<b>Closing balance</b>	<b>337</b>	<b>336</b>

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

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

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Opening balance	<b>(146,198)</b>	(117,806)
Opening balance adjustment on application of new accounting standards <sup>1</sup>	<b>(27,295)</b>	-
Net loss for the year	<b>(25,193)</b>	(28,392)
<b>Closing balance</b>	<b>(198,686)</b>	(146,198)

<sup>1</sup>Refer to Note 2 for details on opening balance adjustments made on application of new accounting standards.

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**24. NOTES TO STATEMENT OF CASHFLOWS**

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
<b>Reconciliation of loss after tax to net cash flow from operating activities</b>			
Loss after income tax		(25,193)	(28,392)
<b>Non-cash items</b>			
Profit from equity accounted joint ventures	29(b)(iii)	(3,761)	(6,002)
Depreciation	15	246	496
Write-off of plant and equipment	15	51	419
Non-cash employee share-based payment expense	23(a)	1	5
Gain on sale of plant and equipment		(6)	(11)
Impairment of inventory	6	40,450	3,250
Other asset impairments		1,718	7,059
<b>Change in operating assets and liabilities:</b>			
(Increase)/decrease in trade and other receivables and contract assets		(6,565)	13,424
Decrease in inventories		11,727	12,039
Decrease/(increase) in prepayments		361	(558)
Decrease in trade and other payables		(4,435)	(27,748)
Increase/(decrease) in provisions		2,089	(642)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>16,683</b>	<b>(26,661)</b>

**25. COMMITMENTS**

<i>Non-cancellable operating leases</i>	31 December 2018 \$'000	31 December 2017 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,545	1,775
Later than one year but not later than five years	1,790	3,913
<b>Total commitments</b>	<b>3,335</b>	<b>5,688</b>
<ul style="list-style-type: none"> <li>At 31 December 2018, the Group had operating leases on certain equipment and office premises that extend to 2 and 2.5 years (December 2017: 3 and 3.5 years), refer Notes 1(r) and 3.</li> <li>At 31 December 2018, the Group had \$439k of minimum sublease payments expected to be received under non-cancellable subleases (December 2017: \$628k).</li> </ul>		

**26. 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 2018 \$	12 months to December 2017 \$
<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>	254,581	249,302
Total remuneration for audit and other assurance services	254,581	249,302
<b>Taxation services</b>		
Tax compliance and advisory services	21,095	41,195
Total remuneration for taxation services	21,095	41,195
<b>Total remuneration of Ernst &amp; Young</b>	<b>275,676</b>	<b>290,497</b>

## **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.

Under the LTI plan, performance rights were issued in February 2015 and September 2013 for a term of 3 years and these rights issued expire on the earlier of the vesting date where performance hurdles are not met or termination of the individual's employment. At 31 December 2017, the performance rights issued in September 2013 had been fully vested or lapsed.

The performance measures used to determine vesting is a combination of relative total shareholder return (TSR) and growth in earnings per share (EPS). 50% of share rights granted will be subject to a TSR performance hurdle and remaining 50% will be subject to an EPS hurdle. 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, refer Note 1(t)(iii).

The performance hurdles for the February 2015 LTI award were not met at the test date in February 2018 and as a result no rights vested and the unvested rights lapsed in accordance with the terms of the award.

Information with respect to the performance rights granted under the February 2015 LTI plan is as follows:

#### **31 December 2018**

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

#### **31 December 2017**

<b>Grant date</b>	<b>Expiry date</b>	<b>Balance at start of the year Number</b>	<b>Granted during the year Number</b>	<b>Lapsed during the year Number</b>	<b>Forfeited during the year Number</b>	<b>Balance at end of the year Number</b>	<b>Vested and exercisable at end of the year Number</b>
18 Feb 2015	27 Feb 2018	42,447	-	-	-	42,447	-
Weighted average fair value		\$0.81				\$0.81	

### **(b) 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:

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Expense arising from share based payments (refer Note 23(a))	1	5

## **28. RELATED PARTY TRANSACTIONS**

### **(a) Parent entities**

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construcción 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 Construcción y Servicios SA during the financial year (December 2017: nil).

During the 2018 financial year, the Group's majority shareholder and its controlled entities invoiced the Group amounts (net of credits) totalling \$58,930 (2017: \$499,901) in relation to Director's fees, guarantee fees, travel services, secondment of construction contractors and workspaces rented by the Group in the CPB Victoria office.

The Group invoiced its majority shareholder and its controlled entities amounts (net of credits) totaling \$450,736 (2017:\$459,889) in relation to secondment of construction contractors, rent and outgoings on the premises in Victoria which was sub-let until October 2017 and sale of minor surplus IT equipment items.

The above transactions were under normal commercial terms and conditions.

During the 2018 financial year, the majority shareholder provided a discretionary bonus to a KMP of \$115,000 (2017: nil).

During the 2018 financial year, a \$70m Multi Option Facility (MOF) expiring 29 March 2020 was made available to the Group by the senior lender guaranteed by the Group's majority shareholder. No guarantee fee has been charged to Devine in 2018.

The majority of the insurance coverage with respect to the operational activities of the Group fall under the majority shareholder's insurance umbrella at no cost.

The Group, through its relationship with its majority shareholder, has access to competitive rates in respect of travel services.

The Group has been supported by its majority shareholder through other services including accounting, legal, treasury and information technology products & services for which no fee has been charged.

### **(b) Directors**

There have been no transactions with Directors or their related parties for the financial year ended 31 December 2018 (December 2017: nil).

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

No loans were secured or made during the financial year ended 31 December 2018 (December 2017: 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 2018 (December 2017: nil)

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

	<b>12 months to December 2018 \$</b>	12 months to December 2017 \$
Short-term employee benefits	<b>1,122,912</b>	1,036,146
Post-employment benefits	<b>52,210</b>	48,914
<b>Total</b>	<b>1,175,122</b>	1,085,060

## 28. RELATED PARTY TRANSACTIONS (continued)

### (f) Revenue and finance income from related parties

	12 months to December 2018 \$'000	12 months to December 2017 \$'000
<b>Revenue from contract with customers</b>		
Revenue from construction services - related joint ventures	5,058	17,025
Revenue from property development - related joint ventures	2,074	1,967
Total (refer Note 5)	7,132	18,992
<b>Other revenue</b>		
Rental income	-	378
Sundry income	450	73
Total	450	451
<b>Total revenue from related parties</b>	<b>7,582</b>	<b>19,443</b>
<b>Finance income from related parties</b>	<b>-</b>	<b>66</b>

### (g) Amounts owed by related parties

	31 December 2018 \$'000	31 December 2017 \$'000
Trade receivables owing by related parties	278	1,591
Less: Allowance for expected credit losses	(250)	-
Total trade receivables - related parties (refer Note 9)	28	1,591
Joint venture loans	13,626	19,735
Other amounts receivable from related parties	197	1,250
Total other receivables – related parties (refer Note 9)	13,823	20,985
<b>Total amounts owed by related parties</b>	<b>13,851</b>	<b>22,576</b>

Following an assessment performed during the year, \$0.25m fair value adjustment loss was recognised in relation to joint venture loans and \$1.2m of other amounts receivable from Group's joint ventures was written-off (refer Notes 9, 34(b) and 6).

### (h) Amounts owed to related parties

	31 December 2018 \$'000	31 December 2017 \$'000
Trade payables owing to related parties (refer Note 19)	343	422
Advances from joint ventures (refer Note 19)	9,154	20,985
<b>Total amounts owed to related parties</b>	<b>9,497</b>	<b>21,407</b>

### (i) For guarantees provided by the Group – refer Note 30(a)(i)

### (j) Terms and conditions

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

## **29. INTERESTS IN JOINT ARRANGEMENTS**

### **(a) Joint operations**

#### *Joint operations ownership interest*

At reporting date, the Group had interests in a number of joint operations as listed below.

All joint operations are residents of Australia and their principal activity is property development/land development and resale.

	<b>Ownership interest %</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
Casey Fields * - Parks Edge, Victoria	<b>55</b>	55
Henry Road Pakenham – Edenbrook, Victoria	<b>50</b>	50

\* The Group has an ownership interest greater than 50% but does not have the power to direct the relevant activities of the operation and accordingly the joint operation is proportionately consolidated in accordance with the accounting policy set out in Note 1(c).

The Group has incorporated its share of interests in assets employed, liabilities incurred, revenues generated and expenses incurred by the respective joint operations in the appropriate line items of 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 venture entities**

#### *(i) Joint venture entities' ownership interest*

At reporting date, the Group had equity interests in a number of joint venture entities as listed below.

All joint venture entities are residents of Australia and their principal activity is property development/land development and resale.

	<b>Ownership interest %</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
Hamilton Harbour Unit Trust	<b>50</b>	50
Townsville City Project Trust	<b>50</b>	50
Wallan Project Trust	<b>50</b>	50
Mode Apartments Unit Trust	<b>50</b>	50

All joint venture entities have a year end of 30 June except for Mode Apartments Unit Trust which has a 31 December year end. The joint venture entities 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.

## 29. INTERESTS IN JOINT ARRANGEMENTS (continued)

### (b) Joint venture entities (continued)

#### (ii) Joint venture entities' net assets

	31 December 2018 \$'000	31 December 2017 \$'000
<b>Summarised statement of financial position of joint venture entities</b>		
Current assets	63,060	80,386
Non-current assets	25,884	47,936
<b>Total assets</b>	<b>88,944</b>	<b>128,322</b>
Current liabilities	40,622	30,484
Non-current liabilities	4,472	59,408
<b>Total liabilities</b>	<b>45,094</b>	<b>89,892</b>
<b>Net assets</b>	<b>43,850</b>	<b>38,430</b>
<b>Group's share of net assets</b>	<b>21,925</b>	<b>19,215</b>

During the 2018 financial year, the Group received \$1.4m equity distributions from Mode Apartments Unit Trust and the Group provided cash funding of \$0.3m to Hamilton Harbour Unit Trust, refer consolidated statement of cash flows for cash flows to/from joint venture investments.

#### (iii) Joint venture entities' results

	31 December 2018 \$'000	31 December 2017 \$'000
<b>Summarised statement of comprehensive income of joint venture entities</b>		
Revenue	64,529	57,600
Gain from bargain purchase	-	12,316
Expenses	(57,008)	(57,912)
<b>Profit for the year</b>	<b>7,521</b>	<b>12,004</b>
<b>Group's share of profit for the year</b>	<b>3,761</b>	<b>6,002</b>

- December 2018 joint venture revenue includes sale revenue from 254 residential allotments and a school site in Stonehill development, Victoria (Townsville City Project Trust) and 43 residential apartments and remaining management rights in Mode Apartments complex, Brisbane and school site at Newbridge, Wallan community, Victoria.
- December 2017 joint venture revenue includes sales revenue from 111 residential apartments and management rights in Mode Apartments complex, Brisbane and 62 allotments at Newbridge, Wallan community, Victoria.
- During 2017 financial 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 Note 6).
- Expenses include any impairments and adjustments to the carrying value of investment.

## **30. CONTINGENCIES**

### **(a) Contingent liabilities**

The Group had contingent liabilities at 31 December 2018 in respect of:

#### **(i) Guarantees**

The Group has provided the following guarantees:

Devine Limited and controlled entities have provided bank guarantees and surety bonds totalling \$18.8m at 31 December 2018 (December 2017: \$21.7m) relating to individual land developments of the Group including joint ventures and other aspects of the Group's operations. The bonds are secured by indemnities and corporate guarantees from the respective entities. No liabilities are expected to arise, refer Notes 34(e) and 14(b).

Devine Limited and Devine Land Pty Ltd, a 100% controlled entity of Devine Limited has provided guarantees jointly and severally for the performance of a Group's joint venture for a debt totalling \$15m at 31 December 2018 (December 2017: \$15.4m). This debt has been primarily secured against assets of the joint venture with a carrying value of \$33.4m at the reporting date (December 2017: \$41.1m) and a land asset with a carrying value of \$8.4m owned by Devine Land Pty Ltd at the reporting date (December 2017: \$20.5m). The joint venture debt is also backed by guarantees from the joint venture partner and the debt is to be repaid from the property sales of the joint venture. No liabilities are expected to arise, refer Notes 11, 34(b) & (f) and 14(b).

Devine Limited has also provided a guarantee for the performance of a Group's joint venture in proportion to its 50% shareholding interest for a debt totalling \$54k at 31 December 2018 (December 2017: \$20.4m) which has been primarily secured against assets of the joint venture with a carrying value of \$45.6m at the reporting date (December 2017: \$59.4m). The debt is to be repaid from the property sales of the joint venture. No liabilities are expected to arise, refer Notes 34(b) and 14(b).

#### **(ii) Litigation**

There are 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 it is probable that the Group will incur costs either in progressing its investigation of a claim or ultimately in settlement.

During the period, the Group was served a claim from a customer. The Group denies the claim which is being defended and a counterclaim has been lodged. The Group has assessed this claim as having low prospects of success for the customer.

### **(b) Contingent assets**

During the 2018 financial year, the Group has been successful in obtaining a positive outcome totalling \$23.8m in relation to \$21.4m of derecognised assets. At the reporting date for the remaining derecognised assets of \$5.4m, the Directors consider the underlying probability of inflow of economic benefits has not changed and are disclosed as contingent (refer Note 2).

## **31. 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.

Notes to the consolidated financial statements  
For the financial year ended 31 December 2018  
(continued)

**31. SEGMENT INFORMATION (continued)**

**(b) Operating segments**

12 months ended 31 December 2018	Communities	Development	Construction	Corporate	Total continuing operations	Housing	Consolidated Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers*	36,292	237	5,058	-	41,587	-	41,587
Other revenue	360	-	14,950	-	15,310	-	15,310
<b>Total segment revenue</b>	<b>36,652</b>	<b>237</b>	<b>20,008</b>	<b>-</b>	<b>56,897</b>	<b>-</b>	<b>56,897</b>
<b>Segment result before asset write-downs and provisions</b>	<b>11,290</b>	<b>523</b>	<b>12,127</b>	<b>(4,309)</b>	<b>19,631</b>	<b>(286)</b>	<b>19,345</b>
Asset write-downs**	(41,918)	(250)	-	(51)	(42,219)	-	(42,219)
Onerous lease, legal & structural warranty provisions	-	-	-	(1,269)	(1,269)	(1,050)	(2,319)
<b>Segment result</b>	<b>(30,628)</b>	<b>273</b>	<b>12,127</b>	<b>(5,629)</b>	<b>(23,857)</b>	<b>(1,336)</b>	<b>(25,193)</b>
Loss before income tax					(23,857)	(1,336)	(25,193)
Income tax expense					-	-	-
<b>Loss for the year</b>					<b>(23,857)</b>	<b>(1,336)</b>	<b>(25,193)</b>
<b>As at 31 December 2018:</b>							
<b>Segment assets</b>	<b>139,966</b>	<b>4,365</b>	<b>173</b>	<b>4,280</b>	<b>148,784</b>	<b>1</b>	<b>148,785</b>
<b>Segment liabilities ***</b>	<b>11,129</b>	<b>5</b>	<b>2,822</b>	<b>39,743</b>	<b>53,699</b>	<b>1,068</b>	<b>54,767</b>

**Other segment information**

Investments in joint ventures	18,048	3,877	-	-	21,925	-	21,925
Share of net profits of joint ventures	3,449	312	-	-	3,761	-	3,761

\* During the period, two customers within the communities segment contributed \$13m and \$11.1m each and one customer within the constructions segment contributed \$5.1m which individually were more than 10% of the Group's revenue from contracts with customers.

\*\* Asset write-downs include impairments of inventory and leasehold improvements; and expected credit losses/fair value adjustments/write-offs in relation to trade and other receivables.

\*\*\* Corporate liabilities include Group's interest bearing liabilities which are made available to operating segments as required to fund operations.

### 31. SEGMENT INFORMATION (continued)

#### (b) Operating segments (continued)

12 months ended 31 December 2017	Communities	Development	Construction	Corporate	Total continuing operations	Housing	Consolidated Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers*	26,231	1,714	17,771	-	45,716	3,756	49,472
Other revenue	591	-	339	-	930	74	1,005
<b>Total segment revenue</b>	<b>26,822</b>	<b>1,714</b>	<b>18,110</b>	<b>-</b>	<b>46,646</b>	<b>3,830</b>	<b>50,476</b>
<b>Segment result before asset write-downs and provisions</b>	<b>(4,647)</b>	<b>2,222</b>	<b>(13,579)</b>	<b>(4,580)</b>	<b>(20,584)</b>	<b>(853)</b>	<b>(21,437)</b>
Asset write-downs**	(4,880)	(1,610)	-	-	(6,490)	(42)	(6,532)
Onerous lease, legal & structural warranty provisions	(42)	-	(381)	-	(423)	-	(423)
<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>
<b>As at 31 December 2017:</b>							
<b>Segment assets</b>	<b>191,798</b>	<b>12,228</b>	<b>17,514</b>	<b>4,070</b>	<b>225,610</b>	<b>2</b>	<b>225,612</b>
<b>Segment liabilities ***</b>	<b>23,801</b>	<b>20</b>	<b>5,442</b>	<b>49,537</b>	<b>78,800</b>	<b>307</b>	<b>79,107</b>
<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

\* During the period, one customer within the construction segment contributed \$17m which is more than 10% of the Group's revenue from contracts with customers.

\*\* Asset write-downs include impairments of inventory and leasehold improvements including the Group's share of inventory write down taken up within the joint venture entities; and expected credit losses/fair value adjustments/write-offs in relation to trade and other receivables..

\*\*\* Corporate liabilities include Group's interest bearing liabilities which are made available to operating segments as required to fund operations.

## **32. EARNINGS PER SHARE**

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

	<b>31 December 2018 Cents</b>	31 December 2017 Cents
Earnings/(loss) per share for continuing operations	<b>(15.0)</b>	(17.3)
Total basic and diluted earnings/(loss) per share	<b>(15.9)</b>	(17.9)

**(b) Reconciliation of earnings/(loss) used in calculating earnings/(loss) per share**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share		
Continuing operations earnings/(loss)	<b>(23,857)</b>	(27,497)
Total earnings/(loss)	<b>(25,193)</b>	(28,392)

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

	<b>31 December 2018 Number</b>	31 December 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	<b>158,730,556</b>	158,730,556

There are no options and performance rights granted to employees at the reporting date.

*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.

## **33. DIVIDENDS**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
<b>Franked dividends</b>		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (December 2017 - 30%)	<b>9,444</b>	9,444

## **34. FINANCIAL RISK MANAGEMENT**

The Group's core financial liabilities are comprised of interest bearing loans, trade 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 core financial assets include trade receivables, contract assets, 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, as well as policies covering specific areas of interest rate risk, credit risk, liquidity risk, fair value of derivative financial instruments and non-derivative financial instruments, financing facilities including interest bearing loans and assets pledged as security.

### **34. 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 exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing loans with variable rates.

At 31 December 2018 and 31 December 2017, 100% of the Group's borrowings relates to the MOF which is at a variable rate and denominated in Australian Dollars. This facility expires on 29 March 2020.

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Interest rate %</b>	<b>Balance \$'000</b>	<b>Interest rate %</b>	<b>Balance \$'000</b>
Multiple Option Facility (MOF)	<b>3.26%</b>	<b>35,985</b>	3.37%	46,617

At the reporting date, the twelve month cash flow impact of a 100 basis point change is estimated to be \$0.4m (December 2017: \$0.5m).

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, the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

#### **(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables, contract assets and other receivables) and from its financing activities, including deposits with banks and financial institutions, financial guarantee contracts and other financial instruments.

Trade receivables, contract assets and other receivables

The Group has a credit policy in place and the exposure to credit risk from trade receivables, contract assets and other receivables are monitored on an ongoing basis. The Group's current activities are concentrated on development and sale of real estate (residential land, residential units and retail/commercial office developments) and title does not transfer until settlement has occurred and the cash has been received by the Group and hence the exposure to credit risk is minimal. The Group has trade receivables and contract assets from land development, management, marketing and other services contracts entered into with external customers and joint ventures. The Group from time to time also provides working capital loans to joint ventures and has other amounts receivable from operating activities.

An impairment assessment is performed at each reporting date using a provision matrix based on various factors including days past due, operating segments, customer type and rating and credit enhancements available in the form of guarantees, insurance and collateral. The assessment reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For assets that are measured at fair value through profit or loss and categorised within Level 3 of the fair value hierarchy, significant unobservable inputs used in the fair value measurements include discounts for counterparty credit risk and risks resulting from delays in project completion.

The maximum exposure to credit risk from trade receivables, contract assets and other receivables at the reporting date is the carrying value of each class of financial assets disclosed in Notes 9 and 10. The Group does not hold collateral as security.

### **34. FINANCIAL RISK MANAGEMENT (continued)**

#### **(b) Credit risk (continued)**

Set out below is the information about the credit risk exposure on the Group's trade receivables, contract assets and other receivables (refer Notes 9 and 10):

##### **(i) Impaired trade receivables and contract assets**

##### **Movements in the allowance for expected credit losses - trade receivables and contract assets:**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Opening balance	-	-
Provision for impairment recognised during the year (refer Notes 5(a) and 6)	<b>250</b>	-
Utilised	-	-
Unused amounts reversed	-	-
<b>Closing balance</b>	<b>250</b>	-

##### **Aging analysis of trade receivables and contract assets not impaired**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Neither past due nor impaired	<b>8,666</b>	1,590
Less than 30 days	<b>4</b>	9
30 - 60 days	-	-
61 - 90 days	-	-
Greater than 90 days	-	1
<b>Closing balance</b>	<b>8,670</b>	1,600

##### **(ii) Impaired other receivables**

##### **Movements in the allowance for expected credit losses - other receivables:**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Opening balance	-	66
Provision for impairment recognised during the year	-	-
Utilised	-	-
Unused amounts reversed	-	(66)
<b>Closing balance</b>	-	-

### **34. FINANCIAL RISK MANAGEMENT (continued)**

#### **(b) Credit risk (continued)**

##### **(ii) Impaired other receivables (continued)**

##### **Aging analysis of other receivables not impaired**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
Neither past due nor impaired	<b>17,333</b>	52,319
Less than 30 days	<b>150</b>	115
30 - 60 days	<b>45</b>	1
<b>Closing balance</b>	<b>17,528</b>	52,435

Following an assessment performed during the year, \$0.25m fair value adjustment loss was recognised in relation to joint venture loans and \$1.2m of other amounts receivable from Group's joint ventures was written-off, refer Notes 9, 28(g) and 6).

##### **Financial guarantees**

Credit risk further arises in relation to the below financial guarantees provided by the Group to joint ventures:

- At 31 December 2018, the Group (namely Devine Limited and Devine Land Pty Ltd, a 100% controlled entity of Devine Limited) has provided guarantees jointly and severally for the performance of a Group's joint venture for a debt totalling \$15m (December 2017: \$15.4m). This debt has been primarily secured against assets of the joint venture with a carrying value of \$33.4m at the reporting date (December 2017: \$41.1m) and a land asset with a carrying value of \$8.4m owned by Devine Land Pty Ltd at the reporting date (December 2017: \$20.5m). The joint venture debt is also backed by guarantees from the joint venture partner and the debt is to be repaid from the property sales of the joint venture.
- Devine Limited has also provided a guarantee for the performance of a Group's joint venture in proportion to its 50% shareholding interest for a debt totalling \$54k at 31 December 2018 (December 2017: \$20.4m) which has been primarily secured against assets of the joint venture with a carrying value of \$45.6m at the reporting date (December 2017: \$59.4m). The debt is to be repaid from the property sales of the joint venture.

Refer Notes 11, 14(b), 34(f) and 30(a)(i).

The Group has recognised no expected credit losses in relation to the financial guarantee contracts at the reporting date considering the existence of collateral, guarantees from joint venture partner and performance of the joint venture in terms of the contracts obtained to date and the progress achieved with land development.

##### **Cash and cash equivalents**

Credit risk from cash and cash equivalents including deposits with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. 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.

##### **Credit quality of cash at bank and short-term bank deposits**

	<b>31 December 2018 \$'000</b>	31 December 2017 \$'000
AA-	<b>1,413</b>	295
<b>Total</b>	<b>1,413</b>	295

### **34. FINANCIAL RISK MANAGEMENT (continued)**

#### **(c) Liquidity risk**

Liquidity risk is the risk of having insufficient funds to settle financial liabilities when they fall due. This includes having insufficient levels of committed credit facilities. The Group's objective is to maintain efficient use of cash and debt facilities in order to balance the cost of borrowing and ensuring sufficient availability of credit facilities, to meet forecast capital requirements. The Group adopts a prudent approach to cash management which ensures sufficient levels of cash and committed credit facilities are maintained to meet working capital requirements. Liquidity is reviewed continually by the Group's treasury department through daily cash monitoring, review of available credit facilities and forecasting and matching of cash flows.

At 31 December 2018 the Group had undrawn MOF of \$28m (December 2017: \$10.8m) and undrawn insurance bond facilities of \$1.3m (December 2017: \$12.8m), refer Note 34(e).

#### *Maturities of financial liabilities*

The tables below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows, refer Notes 19 and 20.

#### **Contractual maturities of financial liabilities as at 31 December 2018**

	Less than 6 months	Between 6 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows
<b>At 31 December 2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivative financial liabilities</b>					
Trade and other payables	5,986	6,694	-	-	12,680
Interest bearing loans	659	659	36,315	-	37,633
<b>Total</b>	<b>6,645</b>	<b>7,353</b>	<b>36,315</b>	<b>-</b>	<b>50,313</b>

#### **Contractual maturities of financial liabilities as at 31 December 2017**

	Less than 6 months	Between 6 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows
<b>At 31 December 2017</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivative financial liabilities</b>					
Trade and other payables	20,527	3,240	4,709	-	28,476
Interest bearing loans	47,028	-	-	-	47,028
<b>Total</b>	<b>67,555</b>	<b>3,240</b>	<b>4,709</b>	<b>-</b>	<b>75,504</b>

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

#### *Financial guarantees*

Financial guarantees provided by the Group jointly and severally for the performance of joint ventures for debt totalling \$15.1m (December 2017: \$35.8m) have not been included in the maturity analysis for financial liabilities above, refer Notes 14(b), 34(b)&(f) and 30(a)(i).

### **34. FINANCIAL RISK MANAGEMENT (continued)**

#### **(d) Fair value measurements**

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the fair value hierarchy. The different levels have been identified as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

For details on financial assets measured at fair value and categorised within Level 3 of the fair value hierarchy at 31 December 2018 refer Note 9. The carrying amounts of other financial assets and liabilities in the Group's balance sheet approximate fair values.

#### **(e) Interest bearing loans – secured and unsecured**

On 29 March 2018, a \$70m Multi Option Facility (MOF) maturing on 29 March 2020 was made available to the Group by the senior lender and guaranteed by the Group's majority shareholder. This new unsecured facility has replaced the previous MOF that was secured by mortgages over the Group's inventories including developed and undeveloped land and a fixed and floating charge over all the assets of the Group, refer Note 34(f).

The following financing facilities were available as at:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
<b>Financing facilities</b>	<b>Secured \$'000</b>	<b>Unsecured \$'000</b>	<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
MOF*	-	70,000	61,914	-
Insurance bond facilities	-	14,140	-	30,000
<b>Total facilities available</b>	<b>-</b>	<b>84,140</b>	<b>61,914</b>	<b>30,000</b>
MOF - Interest bearing loans utilised**	-	35,985	46,617	-
MOF- Guarantees utilised	-	5,981	4,515	-
Insurance bond facilities utilised	-	12,825	-	17,185
<b>Total facilities utilised</b>	<b>-</b>	<b>54,791</b>	<b>51,132</b>	<b>17,185</b>
MOF	-	28,034	10,782	-
Insurance bond facilities	-	1,315	-	12,815
<b>Total facilities un-utilised</b>	<b>-</b>	<b>29,349</b>	<b>10,782</b>	<b>12,815</b>

\* December 2017 - MOF available only if the Group has complying assets to provide as security.

\*\* December 2017, a cash balance of \$0.9m was offset against the MOF- Interest bearing loans drawn of \$47.5m.

Refer Notes 20 and 34(c).

#### **(f) Assets pledged as security**

As at 31 December 2018, a land asset with a carrying value of \$8.4m owned by Devine Land Pty Ltd (a 100% controlled entity of the Group) has been provided as an additional security for a \$15m development financing obtained by a joint venture at the reporting date. As at 31 December 2017, the Group's Multiple Option Facility (MOF) had been secured by mortgages over the Group's inventories including developed and undeveloped land with a carrying value of \$147.1m and a fixed and floating charge over all the remaining assets of the Group with a carrying value of \$78.5m at the reporting date, refer Notes 11, 14(b), 34(b) & (e) and 30(a)(i).

#### **(g) Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. At 31 December 2018, financial assets and liabilities have not been offset. At 31 December 2017, a cash balance of \$0.9m was offset against the interest bearing loans drawn of \$47.5m, refer Notes 34(e), 1(p) and 1(o)(ii).

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2018**  
**(continued)**

**35. DISCONTINUED OPERATIONS**

	<b>12 months to December 2018 \$'000</b>	12 months to December 2017 \$'000
Revenue	-	3,830
Expenses	<b>(1,336)</b>	(4,719)
Finance income	-	6
Finance expense	-	(12)
<b>Net finance expense</b>	-	(6)
<b>Loss before tax from discontinued operations</b>	<b>(1,336)</b>	(895)
Income tax expense	-	-
<b>Loss after tax from discontinued operations</b>	<b>(1,336)</b>	(895)
Refer Note 31 for details on discontinued operations		

Net cash flow from discontinued operations:

	<b>12 months to December 2018 \$'000</b>	12 months to December 2017 \$'000
Cash flows from operating activities	<b>(574)</b>	2,555
<b>Net cash (outflow)/inflow</b>	<b>(574)</b>	2,555

**36. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

There have been no significant events which have occurred post 31 December 2018.

**Directors' Declaration  
for the year ended 31 December 2018**

In the Directors' opinion:

- (a) the Financial statements and notes of Devine Limited for the financial year ended 31 December 2018 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 2018 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 12 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 13.

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  
20 February 2019

## 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 2018, 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 2018 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.

## 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. Recoverability of inventory

Refer to Note 4, 11 and 29 to the financial statements.

#### Why significant

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.

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 (NRV) in accordance with Australian Accounting Standards. The Group recorded a NRV impairment of \$40 million in the 2018 year.

Given the material NRV impairments recorded, the complexity of the estimation process, and the significant judgments the Group made concerning sales rates, land sales 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.

#### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Compared the Group's current forecast assumptions to recent actual project performance (e.g. sales prices, sales rates and margins achieved) during the period.
- ▶ Considered the impact of sales achieved subsequent to the assessment being made against the forecast and business plan.
- ▶ 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.
- ▶ 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.
- ▶ For a site subject to a future englobo settlement, we assessed external market information such as the executed sales contract to validate relevant pricing assumptions.
- ▶ Assessed the adequacy of the related financial report disclosures.

## 2. AASB 15 Revenue from Contracts with Customers - recognition and measurement

Refer to Note 1(d), 5, 10, and 31 of the financial statements

### Why significant

Revenue from Contracts with Customers was a key audit matter due to the judgment exercised by the Group in determining at what point in time there is sufficient certainty for the variable component of revenue to be recognised.

This is particularly relevant for non-routine sales of major developments, projects or joint arrangements, and for revenues recognised under Land Management Agreements which had a significant impact on the results for the period.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the Group's processes and controls related to the measurement and timing of revenue recognised.
- ▶ Selected 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.
- ▶ Compared actual revenues recorded in the period against predicted revenues based on expected pricing and the actual number of lot settlements.
- ▶ Assessed revenue recognised from non-routine sales, such as englobo sales, and sales of larger parcels of land within developments, to evaluate whether the recognition complied with Australian Accounting Standards.
- ▶ Assessed the rationale for revenue being recognised as a result of contract modifications on a Land Management Agreement, and obtained supporting documentation to validate the timing and amounts recorded.
- ▶ Assessed the adequacy of the related financial report disclosures.

## 3. AASB 15 Revenue from Contracts with Customers Transition Adjustments

Refer to Note 2 of the financial statements

### Why significant

The transition adjustments recorded in respect of the initial application of AASB 15 Revenue from Contracts with Customers during the period was a key audit matter because of the significance of the impact on the Group's retained earnings, and the judgment involved in applying the requirements of AASB 15.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the Group's processes and controls related to determining the impact of the transition to AASB 15.
- ▶ For all significant revenue streams, we reviewed the Group's assessment of the application of the requirements of AASB 15 and conclusions reached, with respect to the impact on revenue recognition.
- ▶ Assessed transition adjustments recorded and ensured these were compliant with the requirements of AASB 15.
- ▶ Assessed the adequacy of the related financial report disclosures.

## 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 2018 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.

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

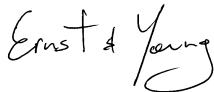
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Devine Limited for the year ended 31 December 2018, 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  
20 February 2019