



## Devine Limited

ABN 51 010 769 365

### Appendix 4E

#### Annual Report for the financial year ended 31 December 2020

#### Results for announcement to the market

|  | 12 months to<br>December 2020<br>\$'000 | 12 months to<br>December 2019<br>\$'000 | % Change |
|--|---|---|----------|
| Revenue from ordinary activities                       | 35,988                                  | 17,523                                  | 105.4%   |
| Profit / (Loss) after tax attributable to shareholders | (4,409)                                 | (20,474)                                | (78.5%)  |
| Profit / (Loss) after tax attributable to members      | (4,409)                                 | (20,474)                                | (78.5%)  |

#### Details of Reporting Period

|                               |  |
|-------------------------------|--|
| Current reporting period      | Twelve (12) months to 31 December 2020 |
| Previous corresponding period | Twelve (12) months to 31 December 2019 |

#### Dividends/Distributions

There were no dividends declared or paid to shareholders during or since the end of the year ended 31 December 2020.  
The Company does not have an active Dividend Reinvestment Plan

|                                     | December 2020 | December 2019 |
|-------------------------------------|---------------|---------------|
| Net Tangible Assets (NTA) per share | \$ 0.41       | \$ 0.44       |

The remainder of the information requiring disclosure to comply with ASX listing rule 4.3A is contained in the Operating and Financial Review section of the 2020 Directors' Report and the audited 2020 Financial Report, within the Devine Limited Annual Report 2020, lodged with this Appendix 4E.

**Devine Limited** ABN 51 010 769 365  
**Financial report – 31 December 2020**

**Contents**

|  | Page |
|--|------|
| Directors' report                              | 1    |
| Operating and financial review                 | 4    |
| Remuneration report                            | 14   |
| Auditor's independence declaration             | 21   |
| Financial statements                           |      |
| Consolidated statement of comprehensive income | 22   |
| Consolidated statement of financial position   | 23   |
| Consolidated statement of changes in equity    | 24   |
| Consolidated statement of cash flows           | 25   |
| Notes to the consolidated financial statements | 26   |
| Directors' declaration                         | 84   |
| Independent auditor's report to the members    | 85   |

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Devine Limited (referred to hereafter as Devine or the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2020 (2020 Financial Year).

### DIRECTORS

The following persons held office as Directors of Devine during the 2020 Financial Year and continue until the date of this report unless otherwise stated.

D P Robinson (Chairman)

G Sassine

J M Campbell (resigned effective 30 March 2020)

J S L Mackay (appointed Executive Director 31 March 2020)

### CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

J S L Mackay (appointed as CEO 31 March 2020)

### INFORMATION ON DIRECTORS

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

#### David Robinson

*Chairman*

Appointed Non-executive Director 27 May 2015 and Chairman 19 January 2016

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

Mr David Robinson has been a Non-executive Director of CIMIC Group 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 a Non-executive Director of Catholic Schools NSW Limited, Catholic Employment Relations Limited and a Director of HOCHTIEF Australia Holdings Limited. 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)

### **George Sassine**

*Non-executive Director*

Appointed 18 January 2016

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

Mr Sassine has more than 33 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 is a GAICD and holds 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

### **James Mackay**

*Executive Director*

Appointed 31 March 2020

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

Mr Mackay has more than 30 years' experience both domestically and abroad, across the financial and accounting spectrum, including senior positions in controlling, accounting, treasury and risk with CIMIC Group and its subsidiaries and over 19 years' experience in the construction and development industry.

He is a Chartered Accountant, GAICD and holds a Bachelor of Commerce from the University of Western Australia.

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

None

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

None

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

CEO, CFO & Company Secretary

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

NIL

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

### **FORMER DIRECTORS**

During the 2020 Financial Year, the following people ceased to hold office as Directors of the Company. For detailed information on these Directors refer to the 2019 Annual Report for the Group available on the Company's website [www.devine.com.au](http://www.devine.com.au).

| <b>Name</b>  | <b>Period of Directorship during current financial year</b> |
|--------------|---|
| J M Campbell | 1 January 2020 to 30 March 2020                             |

### **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 | 11                         | 11 | 4                      | 4  |
| G Sassine    | 11                         | 11 | 4                      | 4  |
| J S L Mackay | 10                         | 10 | **                     | ** |
| J M Campbell | 1                          | 1  | **                     | ** |

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

### **OPERATING ACTIVITIES**

During the financial year the 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 2020 Financial Year (December 2019: 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, and 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 2020, the Group's residential development pipeline included the equivalent of approximately 4,300 future allotments.

### **2. Financial results**

The following is a summary of results for the 2020 Financial Year:

- Revenue from continuing operations of \$36.4m (2019: \$18.1m)
- Loss before tax from continuing operations of \$4.5m (2019: loss before tax of \$20.4m)
- Profit before tax from discontinued operations of \$0.1m (2019: loss before tax of \$0.1m)
- Total loss before tax of \$4.4m (2019: loss before tax of \$20.5m)
- Total loss after tax of \$4.4m (2019: loss after tax of \$20.5m)
- Debt of \$36.7m as at 31 December 2020 (31 December 2019: \$36.9m)

|   | <b>12 months to<br/>December<br/>2020<br/>\$'000</b> | 12 months to<br>December<br>2019<br>\$'000 |
|---|--|--|
| Revenue from continuing operations                      | <b>36,420</b>  | 18,099                                     |
| Revenue from discontinued operations                    | -  | -  |
| <b>Total revenue</b>                                    | <b>36,420</b>  | 18,099                                     |
| Loss before tax from continuing operations              | <b>(4,522)</b>                                       | (20,384)                                   |
| Profit / (loss) before tax from discontinued operations | <b>113</b>   | (90)                                       |
| <b>Total loss before tax</b>                            | <b>(4,409)</b>                                       | (20,474)                                   |
| Gearing   | <b>30.1%</b>   | 29.1%                                      |
| Net tangible assets - \$ per share*                     | <b>\$0.41</b>  | \$0.44                                     |
| EPS - cents per share (continuing operations)           | <b>(2.9)c</b>  | (12.8)c                                    |
| EPS - cents per share                                   | <b>(2.8)c</b>  | (12.9)c                                    |

\*The 31 December 2020 and 31 December 2019 Net Tangible Assets (NTA) figures are calculated inclusive of right-of-use assets.

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

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

#### **Comments on operations and performance**

The Group achieved the following key trading measures in the 2020 Financial Year:

- Residential land sales: 218 (2019: 186); and
- Residential land settlements: 414 (2019: 204).

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

- The Group's Victorian operations continued to deliver a pipeline of contracted allotments which were sold during the prior year, while also maintaining their share of each project's residential market catchment.
- The Group commenced a marketing campaign for the englobo sale of the majority of the Brookside project in Redbank Plains near Ipswich which, subsequent to the balance date, resulted in a conditional contract of sale being executed.
- The progression of a number of contract and insurance claims relating to the construction business resulted in the receipt of \$0.4 million during 2020.
- Asset impairments of \$1.9m, taken across Communities business projects in Victoria at Newbridge in Wallan as well as in Queensland at Mountview in Redbank Plains near Ipswich and Waverley Park in Willowvale, which impacted the 2020 result.
- Notwithstanding the impacts of government mandated responses to COVID-19, the Group adapted to a significantly changing environment which altered the manner in which the Group's business was conducted. Through the adoption of a range of measures, including the use of social distancing protocols, continued construction on projects such as Newbridge at Wallan, Stonehill at Bacchus Marsh and Orleana Waters at Evanston Gardens facilitated the delivery and settlement of 414 residential allotments during the year. Additionally, the Group received \$380k in JobKeeper subsidies for the period.
- The Group implemented a new Group-wide Enterprise Resource Planning system to replace a higher cost and obsolete legacy system.

#### **Project Overview**

As at 31 December 2020, the Group's residential development pipeline included the equivalent of approximately 4,300 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 2020, the joint venture had sold or settled almost 940 of the Stonehill allotments.

Throughout 2020 the Stonehill Community development recorded the following results:

- Contracted 82 residential allotments with a pipeline of 80 contracted sales at the 31 December 2020 reporting date forecast to settle in 2021;
- Settled 193 allotments realising \$43.4 million in contracted sales value for the project;
- Successfully gained development approval for the next four stages of development that will enable delivery of 275 allotments over the next two to three years; and
- Commenced construction on a further two stages of development (46 residential lots) with a further two stages (comprising 69 residential lots) to commence construction in early 2021.

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

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

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

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

Newbridge is an 88 hectare masterplanned 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 opening of the private primary school in the community has strengthened the appeal of the development. Newbridge is within walking distance to the nearby Wallan Railway Station which provides regular transport 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 371 of these sold or settled as at 31 December 2020.

Throughout 2020, the Newbridge development project recorded the following results:

- Achieved 162 allotment settlements to realise \$29.8 million in revenue for the project;
- Maintained a solid pipeline of future settlements with 51 contracted sales at the reporting date, forecast to settle in 2021; and
- Progressed development with four stages titled and settled and the final two stages nearing completion.

##### **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 located six kilometres north-east of Brisbane's CBD. Commencement of the KSD2 project will be subject to market demands; however it is anticipated that market conditions may support progression of the development sometime in 2022/2023.

##### **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 31 December 2020, 244 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 2020, 375 allotments at River Parks have been sold or settled.

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

Brookside is a 15 hectare site abutting Devine's previous community developments of Mountview and Edens Crossing. The majority of the site became subject to englobo sale, with a conditional sales contract entered into during January 2021.



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

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

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

##### **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 485 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.

An uplift in buyer sentiment enabled Orleana Waters to record 60 sales and 45 settlements for the year ended 31 December 2020. The sales activity enabled the bringing forward of construction of the next stage which delivered settlements in the same year.

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

Located 44 kilometres from the Adelaide CBD in the Adelaide Hills, Mawson Green at Meadows offers an alternative to the suburban living that is now commonplace 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, a convenience store and a nearby school and sporting clubs. As at 31 December 2020, over 150 allotments at Mawson Green have been sold.

##### **Devine Constructions**

The residential apartment construction arm of the Group, Devine Constructions (DVC), has not commenced any new construction contracts since the decline in financial performance of the segment in 2015.

In the ensuing years, the completion of existing projects and working through the resulting claims and counter claims has been the focus of DVC to de-risk its position. DVC continues to work on these claims while maintaining its building licence and meeting its statutory warranty obligations.

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

### **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 2020, the Group incurred a net loss after tax of \$4m (2019: net loss of \$20m) and incurred net cash outflows from operating activities of \$1m (2019: outflow of \$2m). As at 31 December 2020, the Group had net assets of \$69m (2019: \$73m) and current assets exceeded current liabilities by \$17m (2019: \$20m).

As at 31 December 2020, the Group had drawn debt and bank guarantees totalling \$41m under the ANZ Bank Multi-Option Facility (MOF) (31 December 2019: \$43m), of which \$37m has been classified as a non-current liability due to its maturity being 31 March 2022 (31 December 2019: \$37m classified as a non-current liability). The MOF does not contain financial covenants and is guaranteed by Devine's majority shareholder. The assets of the Group exceed the current \$41m exposure of the Group to the senior lender in relation to the MOF (31 December 2019: \$43m exposure).

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 the above, 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**

National building approval figures released in early 2021 show that, despite the impacts of the COVID-19 pandemic from early 2020, the residential building market had made a significant recovery with November 2020 figures up 31.4% on the prior year. The strong recovery is attributed to the announcement of the Federal Government's Homebuilder Grant and the current low interest rate environment <sup>(a)</sup>.

Likewise, housing finance indicators suggest that confidence in the housing market is recovering, despite some weak fundamentals such as lower population growth and higher unemployment. The latest housing lending figures for November 2020 reflected solid growth, up 23.7% from November 2019. Increased lending to owner occupiers (excluding refinancing) grew by 31.4% year on year; while construction lending to owner occupiers was up 94.4% year-on-year to a decade high. First home buyers, as a share of the total loan value of owner occupiers increased by 3.1% in November 2020 to account for 35.1% of all owner occupier commitments <sup>(b)</sup>.

The number of new home sales – as reported by the Housing Industry Association (HIA) – increased 32.5% over the course of 2020. This growth, particularly in the final months of the year was attributed to government stimulus measures deployed to combat the economic impacts of COVID-19. The HIA have stated that they do not expect to see this level of sales activity to continue into 2021 due to the reduction in the stimulus measures however they do expect low interest rates, improved lending assessment and growth in the price of established homes to support the demand for new homes in 2021 <sup>(c)</sup>.

Housing prices ended the year on a strong footing with the CoreLogic Home Values Index recording growth. CoreLogic reported 2.3% growth over the December 2019 quarter; and 3.0% annual growth, although the result was buoyed by growth in regional housing values – up 6.9% compared to 2.0% for the combined capital cities. CoreLogic attributed the shift to the prevalence of remote working opportunities, and the demand for lifestyle properties and lower density housing options during the COVID-19 restrictions <sup>(d)</sup>.

At the commencement of 2021, though still in optimistic territory, consumer confidence indices had retreated as a result of the closure of state borders, the emergence of COVID-19 clusters in some states and an upswing in overseas COVID-19 cases. Despite this, the Index results still point to healthy consumer sentiment. At an Index rating of 107 optimists outnumber pessimists, and the Index is 14.6% higher than a year ago and 41.5% above the low in April 2020. The housing related indices are pointing to ongoing confidence in the housing market. The 'time to buy a dwelling' Index, though flat in January at 124.5, is still above the long run average of 119 points. Similarly, the 'house price expectations' Index rose modestly in January to be down just 4.3% on the same time last year <sup>(e)</sup>.

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

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(a) ABS 8731 (released 7 January 2021) / Housing Industry Association of Australia Release – Detached Building Approvals Go From Strength to Strength (released 7 January 2021)

(b) ABS 5601 (released 15 January 2021) / ANZ Research Quick Reaction Australia – Investor Lending Share Highest Since March (released 15 January 2021)

(c) HIA New Homes Sales Report / Housing Industry Association of Australia Release – New Home Sales Go Through the Roof in December (released 19 January 2021)

(d) CoreLogic Hedonic Home Value Index (as at 31 December 2020) / CoreLogic National Media Release (released 4 January 2021)

(e) Westpac-Melbourne Institute of Consumer Confidence – Bulletin 20 January 2021

## OPERATING AND FINANCIAL REVIEW (continued)

### 4. Market conditions (continued)

#### Victoria

Throughout the course of 2020 Victoria has lost its claim as Australia's best performing economy, however the state still leads on relative economic growth and construction activity. Victoria also recorded the fastest absolute level of population growth in the country, up 1.77% for the year to March 2020 <sup>(f)</sup>. The Melbourne property market ended the year with home values gaining 1.9% in the December quarter, resulting in an annual fall of 1.3%. Melbourne values are 4.1% lower than their March 2020 peak. The Melbourne rental market has been particularly impacted by the COVID-19 pandemic with Melbourne apartment rents down 7.6% over the calendar year <sup>(d)</sup>. This may end up impacting property values further, with CoreLogic drawing a correlation between dwelling value declines with reductions in rental values <sup>(g)</sup>.

#### Queensland

Detached dwelling approvals in Queensland have shown strong growth through the later part of 2020, up 27.8% for the three months to November 2020, while multi-unit approvals declined 18.4% in the same period. The result is fall of 1.7% in total dwelling approvals compared to the prior twelve months <sup>(a)</sup>. New home sales data has provided a positive outlook, with detached dwelling sales up by 99.9% in the three months to December 2020 providing a significant boost to the home construction pipeline <sup>(c)</sup>.

Despite the broader impacts of COVID-19, Brisbane dwelling values recorded positive growth throughout 2020, increasing 3.6%; however the previous strong growth of the southern capitals maintains the relative price gap which provides an incentive for interstate migration. Brisbane's median value was \$522,000; compared to \$872,000 and \$682,000 for Sydney and Melbourne respectively <sup>(d)</sup>.

In the north of the state, where Devine has landholdings, Townsville's property market has turned, with dwelling approvals for September 2020 up by 33.8% compared to the immediate pre-Homebuilder Grant month of May 2020. Likewise, September 2020 house sales volumes increased by 36.8% compared to the same time in the prior year; and house prices grew 5.7% for year ending October 2020. Vacancy rates have tightened further through the year to October 2020 to just 0.4% <sup>(h)</sup>.

The Gladstone market has been showing signs of recovery delivering some improved results over 2020. Over the September quarter Gladstone's median house price increased by 1.1% to \$303,500 (up 2.9% for the year to September 2020) while the residential vacancy rate has continued to tighten to just 1.3% <sup>(i)</sup>.

#### South Australia

The South Australian housing market is showing signs of improvement with detached building approvals increasing by 18.7% in the three months to November 2020 when compared to the same period in the prior year <sup>(a)</sup>. The median dwelling value in Adelaide provides evidence of a market in recovery, up 3.6% for the December 2020 quarter, and 5.9% over the year ended 31 December 2020 <sup>(d)</sup>.

The state recorded its strongest population growth figures in 7 years, up 1.02% for the year ending March 2020 providing a basis to support increased housing demand <sup>(f)</sup>.

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(f) CommSec State of the States – State & Territory Economic Performance Report – October 2020

(g) CoreLogic Quarterly Economic Review: November quarter data reveals contributors to post-pandemic property recovery (released 14 December 2020)

(h) Herron Todd White Townsville in Focus Report – November 2020

(i) Real Estate Institute of Queensland (REIQ) – Queensland Market Monitor December 2020 (Issue 48)

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

### **5. Outlook**

The Group will continue to advance its existing projects in the Communities land development business and further position itself for the purchase of new development sites where good value exists. The Group will also continue to progress the remaining contractual and insurance claims in the construction business and monitor the commercial opportunities to progress the KSD2 site in the Brisbane suburb of Hamilton.

Whilst the various state and Federal government COVID-19 stimulus packages saw an overall positive impact in the new land market during 2020 the impact of further responses to the pandemic going forward is difficult to forecast.

The Group's financial outlook has stabilised, and it will continue to monitor and respond to developments in the economy, the interest rate environment, the availability of credit and the impacts associated with COVID-19 responses.

### **6. Risk management**

The Group has risk management processes to manage business risks at a Group, business unit and project level. A detailed risk assessment process is undertaken on a quarterly basis with corresponding quarterly updates provided to the Board. The risk assessment process considers both the likelihood of a risk occurring and the impact or consequence 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, the market conditions in the geographies in which it operates, 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:

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

The Group's primary debt facility has been guaranteed by Devine's majority shareholder. Further information is contained in section 3 'Going Concern'.

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

### **6. Risk management (continued)**

#### ***Other Risks***

Other areas of risk faced by the Group include:

- 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 Workplace Health and Safety (WHS) and Environmental Management Systems.
- General risks of a corporate nature which include risks associated with a potential prolonged interruption to the Group's IT systems and disruptions to the Group's administrative functions due to a fire, flood or other major event, occurring to one of its offices. In the event of such a disruption, the Group has a disaster recovery plan in place.
- Securing adequate people and material resources to meet the Group's trading requirements, particularly when there is a significant lift in market activity.
- Reputational and funding risks associated with its partners in joint and other business arrangements.
- Risks associated with natural disasters including floods, cyclones, hailstorms and bushfires.

**Directors' report  
31 December 2020  
(continued)**

**EARNINGS PER SHARE**

|  | <b>12 months to<br/>December<br/>2020<br/>Cents</b> | 12 months to<br>December<br>2019<br>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>(2.8)</u>  | <u>(12.9)</u>                             |

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

There have been no significant events which have occurred post 31 December 2020 up to the date of issuance of this report.

**ENVIRONMENTAL REGULATION**

During the financial year ended 31 December 2020, the Group's activities involved primarily the development and sale of residential land which is subject to relevant local, state and federal government environmental regulations. 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 (WHS)**

The industry in which the Group operates has the 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 (Occupational Health and Safety 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 ended 31 December 2020 there were no notifiable incidents across the Group (December 2019: Nil).

***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 2020 (December 2019: Nil).

**INSURANCE OF OFFICERS**

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 for 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) excluding negligent, wrongful or wilful acts or omissions by the auditor. No payment has been made to indemnify Ernst & Young during or since the financial year.

## **NON-AUDIT SERVICES**

The Group may decide to engage the external auditor (Ernst & Young) on assignments additional to their statutory audit duties to leverage the auditor's expertise and experience with the Group.

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<br/>December<br/>2020</b> | 12 months to<br>December<br>2019 |
|   | <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>206,725</b>                            | 239,288                          |
| Tax compliance and advisory services  | -   | 19,540                           |
| <b><i>Total auditors' remuneration</i></b>  | <b>206,725</b>                            | <b>258,828</b>                   |



## REMUNERATION REPORT

This remuneration report for the financial year ended 31 December 2020 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 and non-executive director remuneration outcomes for the 2020 financial year; and
- Additional statutory disclosures

### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined in accordance with AASB 124 *Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent entity.

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

#### Directors disclosed in this report

| Name   | Position  |
|--|---|
| <i>Non-executive and executive Directors</i> |   |
| D P Robinson                                 | Non-executive Director (Chairman)   |
| G Sassine                                    | Non-executive Director  |
| J S L Mackay                                 | Chief Executive Officer and Executive Director (appointed 31 March 2020)          |
| J Campbell                                   | Chief Executive Officer and Executive Director (resigned effective 30 March 2020) |

### 2. Remuneration governance

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

The Board's approach is to take account of the employment market conditions and, where appropriate, 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 performance hurdles associated with incentive plans as appropriate.

## **REMUNERATION REPORT (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. 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. 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. During the year ended 31 December 2020, aggregate remuneration provided to non-executive directors amounted to \$210,000 (31 December 2019: \$210,000) as detailed in Section 4 of this report.

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 Group's affairs. In addition, any Director who devotes special attention to the business of the Group, 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 Group, 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 objectives.

## **REMUNERATION REPORT (continued)**

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

#### **Remuneration mix**

The remuneration components for KMP provide for fixed and variable 'at risk' remuneration. The table below details the relative percentage splits between the fixed and variable remuneration components to the overall total remuneration available based on 100% achievement of targets. Any STI are at the Board's discretion.

| Name         | Percentage of Total Remuneration |                                    |                 |
|--------------|----------------------------------|------------------------------------|-----------------|
|              | Fixed Remuneration               | At Risk Variable Components        |                 |
|              |                                  | Target Base STI                    | LTI Grant Value |
| J S L Mackay | 74%                              | 26%<br>(35% of fixed remuneration) | Nil             |
| J Campbell   | 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 director remuneration outcomes for the 2020 financial year**

#### **STI and LTI for the 2020 financial year**

As determined by the Board for the 2020 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 (continued)

### 4. Executive and non-executive remuneration outcomes for the 2020 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 ended  | Short-term benefits |  |                |                    |                                    | Post employment | Sub - total    | Termination Payments | Total          |
|--|---------------|---------------------|--|----------------|--------------------|------------------------------------|-----------------|----------------|----------------------|----------------|
|  |               | Salary & fees       | Bonuses STI / Discretionary <sup>6</sup> | Committee fees | Other <sup>7</sup> | Non-monetary benefits <sup>8</sup> | Super-annuation |                |                      |                |
|  |               | \$                  | \$                                       | \$             | \$                 | \$                                 | \$              | \$             | \$                   | \$             |
| <b>Executive Directors</b>                 |               |                     |  |                |                    |                                    |                 |                |                      |                |
| <b>J S L Mackay<sup>1, 2</sup></b>         | <b>Dec-20</b> | <b>363,978</b>      | -  | -              | <b>66,113</b>      | <b>74,490</b>                      | <b>21,349</b>   | <b>525,930</b> | -                    | <b>525,930</b> |
| (Restated) <sup>3, 4</sup>                 | Dec-19        | 341,493             | 115,000                                  | -              | 36,113             | 103,558                            | 20,767          | 616,931        | -                    | 616,931        |
| <b>J Campbell (resigned 30 March 2020)</b> | <b>Dec-20</b> | <b>98,949</b>       | -  | -              | -                  | -                                  | <b>4,928</b>    | <b>103,877</b> | -                    | <b>103,877</b> |
| (Restated) <sup>3</sup>                    | Dec-19        | 388,532             | 57,500                                   | -              | -                  | -                                  | 18,676          | 464,708        | -                    | 464,708        |
| <b>Non-executive Directors</b>             |               |                     |  |                |                    |                                    |                 |                |                      |                |
| <b>D P Robinson</b>                        | <b>Dec-20</b> | <b>95,890</b>       | -  | -              | -                  | -                                  | <b>9,110</b>    | <b>105,000</b> | -                    | <b>105,000</b> |
|  | Dec-19        | 95,890              | -  | -              | -                  | -                                  | 9,110           | 105,000        | -                    | 105,000        |
| <b>G Sassine<sup>5</sup></b>               | <b>Dec-20</b> | <b>105,000</b>      | -  | -              | -                  | -                                  | -               | <b>105,000</b> | -                    | <b>105,000</b> |
|  | Dec-19        | 105,000             | -  | -              | -                  | -                                  | -               | 105,000        | -                    | 105,000        |
| <b>Total</b>                               | <b>Dec-20</b> | <b>663,817</b>      | -  | -              | <b>66,113</b>      | <b>74,490</b>                      | <b>35,387</b>   | <b>839,807</b> | -                    | <b>839,807</b> |
| (Restated) <sup>3, 4</sup>                 | Dec-19        | 930,915             | 172,500                                  | -              | 36,113             | 103,558                            | 48,553          | 1,291,639      | -                    | 1,291,639      |

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

- 1 Mr Mackay was appointed CEO & Executive Director effective 31 March 2020. He retains the previously held positions of CFO & Company Secretary.
- 2 Effective 1 April 2020, Mr Mackay received a \$27,300 (7.85%) increase to his total fixed remuneration on appointment to CEO/Executive Director role.
- 3 Restatement of Salary & Fees for Mr. Mackay relate to inclusion of leave and long service leave amounting to \$17,060 earned and untaken during the year ended 31 December 2019, resulting in Salary & Fees previously disclosed as \$324,433 to be restated to \$341,493. Restatement of Salary & Fees for Mr. Campbell relate to inclusion of leave and long service leave amounting to \$42,707 earned and untaken during the year ended 31 December 2019, resulting in Salary & Fees previously disclosed as \$345,825 to be restated to \$388,532.
- 4 Restatement of other benefits for Mr Mackay, relate to inclusion of \$11,113 to take into account the effect of Fringe Benefits Tax (FBT) payable on a portion of living away from home allowances provided to him, resulting in Other benefits previously disclosed as \$25,000 to be restated to \$36,113.
- 5 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 for the provision of Mr Sassine's services.
- 6 These bonuses were discretionary bonuses funded by the majority shareholder. No discretionary bonuses were paid in the current year ended 31 December 2020.
- 7 Other benefits in the current and previous years ended 31 December 2020 and 31 December 2019 include living away from home allowances and associated FBT payable totaling \$36,113. Other benefits in the current year ended 31 December 2020 also include a one off payment of \$30,000 in relation to the appointment of the CEO/Executive Director role.
- 8 Non-monetary benefits in the current and previous years ended 31 December 2020 and 31 December 2019 comprise of accommodation, travel costs and associated FBT provided in connection with Mr Mackay's living away from home arrangements.

## REMUNERATION REPORT (continued)

### 4. Executive and non-executive remuneration outcomes for the 2020 financial year (continued)

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

| Name                       | Fixed Remuneration |      | At risk- STI / Discretionary |      | Fixed Remuneration       |                 | At risk- STI / Discretionary |                 |
|----------------------------|--------------------|------|------------------------------|------|--------------------------|-----------------|------------------------------|-----------------|
|                            | December 2020      | 2020 | December 2020                | 2020 | December 2019 (Restated) | 2019 (Restated) | December 2019                | 2019 (Restated) |
|                            | \$                 | %    | \$                           | %    | \$                       | %               | \$                           | %               |
| <b>Executive Directors</b> |                    |      |                              |      |                          |                 |                              |                 |
| J S L Mackay <sup>1</sup>  | 451,440            | 100% | -                            | 0%   | 398,373                  | 78%             | 115,000                      | 22%             |
| J Campbell <sup>2</sup>    | 103,877            | 100% | -                            | 0%   | 407,208                  | 88%             | 57,500                       | 12%             |

1. Fixed remuneration of \$473,758 previously disclosed as earned by Mr Mackay during the year ended 31 December 2019 has been restated to \$398,373 on account of excluding non-monetary benefits amounting to \$103,558 from the component of fixed remuneration due to the variable nature of the amount of benefits being provided, a restatement resulting in an increase of salary & fees by \$17,060 as a result of the inclusion of leave and long service leave earned and untaken during the year ended 31 December 2019 and a restatement resulting in an increase of other benefits by \$11,113 to account for the effect of Fringe Benefits Tax (FBT) payable on a portion of living away from home allowances provided.
2. Fixed remuneration of \$364,501 previously disclosed as earned by Mr Campbell during the year ended 31 December 2019 has been restated to \$407,208 on account of the inclusion of leave and long service leave amounting to \$42,707 earned and untaken during the year ended 31 December 2019.

### 5. Additional Statutory Disclosures

#### (a) Service agreements

All executives of the Group have a contract of employment which 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 and superannuation) and the variable component (the short term incentive scheme and long term incentive scheme) if applicable.

The employment contracts have no fixed term and 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 (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 S L Mackay | CEO, CFO, Company Secretary & Executive Director | 18 February 2016  | 21 March 2016 as amended 20 March 2020 | 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 table below shows key total shareholder return (TSR) performance indicators:

|                                    | FY 2016  | FY 2017  | FY 2018  | FY 2019  | FY 2020 |
|------------------------------------|----------|----------|----------|----------|---------|
| Total comprehensive loss (\$'000s) | (37,889) | (28,392) | (25,193) | (20,474) | (4,409) |
| Earnings/(loss) per share (cents)  | (23.9)   | (17.9)   | (15.9)   | (12.9)   | (2.8)   |
| Dividends per share (cents)        | 0.0      | 0.0      | 0.0      | 0.0      | 0.0     |
| Closing share price (cents)        | 45.0     | 40.0     | 21.5     | 14.0     | 10.0    |

#### (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 17 employees as at 31 December 2020 (December 2019: 20 employees).

## ROUNDING OF AMOUNTS

The Group 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. Accordingly, amounts in the Directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar or million dollars as specified.

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



D P Robinson  
Chairman

Brisbane  
25 February 2021



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## Auditor's independence declaration to the directors of Devine Limited

As lead auditor for the audit of the financial report of Devine Limited for the financial year ended 31 December 2020, 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.

A handwritten signature in dark ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in dark ink that reads 'Brad Tozer'.

Brad Tozer  
Partner  
25 February 2021

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|  | Notes      | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|--|------------|--|--|
| <b>Continuing operations</b>   |            |  |  |
| Revenue  | 5          | 36,420                                     | 18,099                                     |
| Expenses   | 6          | (44,103)                                   | (40,222)                                   |
| Share of net profit of joint ventures accounted for using equity method                    | 29(b)(iii) | 2,974                                      | 1,812                                      |
| <b>Loss before interest and tax from continuing operations</b>                             |            | <b>(4,709)</b>                             | <b>(20,311)</b>                            |
| Finance income   | 7          | 342  | 194  |
| Finance expense  | 7          | (155)                                      | (267)                                      |
| <b>Net finance income/(expense)</b>  |            | <b>187</b>                                 | <b>(73)</b>                                |
| <b>Loss before tax from continuing operations</b>  |            | <b>(4,522)</b>                             | <b>(20,384)</b>                            |
| Income tax expense   | 8          | -  | -  |
| <b>Loss after tax from continuing operations</b>   |            | <b>(4,522)</b>                             | <b>(20,384)</b>                            |
| <b>Discontinued operations</b>   |            |  |  |
| Profit / (loss) after tax from discontinued operations                                     | 35         | 113  | (90)                                       |
| <b>Total loss and comprehensive loss for the year</b>                                      |            | <b>(4,409)</b>                             | <b>(20,474)</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         | (2.8)                                      | (12.9)                                     |
| <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         | (2.9)                                      | (12.8)                                     |
| <b>Earnings/(loss) per share for discontinued operations</b>                               |            |  |  |
| Basic and diluted loss for the year attributable to ordinary equity holders of the Company |            | 0.1  | (0.1)                                      |

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



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

|   | Notes | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|---|-------|-------------------------------|-------------------------------|
| <b>ASSETS</b>                                     |       |                               |                               |
| <b>Current assets</b>                             |       |                               |                               |
| Cash and cash equivalents                         |       | 1,332                         | 836                           |
| Trade and other receivables                       | 9     | 10,485                        | 12,767                        |
| Contract assets                                   | 10    | 3,692                         | 3,863                         |
| Inventories                                       | 11    | 14,110                        | 15,049                        |
| Prepayments                                       |       | 461                           | 779                           |
| <b>Total current assets</b>                       |       | <b>30,080</b>                 | <b>33,294</b>                 |
| <b>Non-current assets</b>                         |       |                               |                               |
| Trade and other receivables                       | 9     | -                             | 52                            |
| Contract assets                                   | 10    | 4,668                         | 5,331                         |
| Inventories                                       | 11    | 53,852                        | 58,693                        |
| Investments accounted for using the equity method | 29(b) | 26,742                        | 23,745                        |
| Property, plant and equipment                     | 15    | 99                            | 463                           |
| Intangible assets                                 | 16    | 3,316                         | 3,316                         |
| <b>Total non-current assets</b>                   |       | <b>88,677</b>                 | <b>91,600</b>                 |
| <b>Total assets</b>                               |       | <b>118,757</b>                | <b>124,894</b>                |
| <b>LIABILITIES</b>                                |       |                               |                               |
| <b>Current liabilities</b>                        |       |                               |                               |
| Trade and other payables                          | 19    | 10,802                        | 10,341                        |
| Lease liabilities                                 | 20    | 349                           | 1,440                         |
| Interest bearing loans                            | 21    | -                             | -                             |
| Provisions  | 22    | 1,706                         | 1,353                         |
| <b>Total current liabilities</b>                  |       | <b>12,857</b>                 | <b>13,134</b>                 |
| <b>Non-current liabilities</b>                    |       |                               |                               |
| Trade and other payables                          | 19    | -                             | 62                            |
| Lease liabilities                                 | 20    | 20                            | 317                           |
| Interest bearing loans                            | 21    | 36,685                        | 36,885                        |
| Provisions  | 22    | 536                           | 1,428                         |
| <b>Total non-current liabilities</b>              |       | <b>37,241</b>                 | <b>38,692</b>                 |
| <b>Total liabilities</b>                          |       | <b>50,098</b>                 | <b>51,826</b>                 |
| <b>Net assets</b>                                 |       | <b>68,659</b>                 | <b>73,068</b>                 |
| <b>EQUITY</b>                                     |       |                               |                               |
| Contributed equity                                | 23    | 292,367                       | 292,367                       |
| Reserves  | 24(a) | 337                           | 337                           |
| Accumulated losses                                | 24(b) | (224,045)                     | (219,636)                     |
| <b>Total equity</b>                               |       | <b>68,659</b>                 | <b>73,068</b>                 |

*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 2020**

| Notes  | Contributed<br>equity<br>\$'000 | Reserves<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|--|---------------------------------|--------------------|---------------------------------|---------------------------|
| <b>Balance at 31 December 2018</b>   | <b>292,367</b>                  | <b>337</b>         | <b>(198,686)</b>                | <b>94,018</b>             |
| Opening balance adjustment on application of new accounting standards <sup>1</sup> | -                               | -                  | (476)                           | (476)                     |
| <b>Restated total equity at 1 January 2019</b>                                     | <b>292,367</b>                  | <b>337</b>         | <b>(199,162)</b>                | <b>93,542</b>             |
| Loss for the year  | -                               | -                  | (20,474)                        | (20,474)                  |
| Other comprehensive income/(loss)  | -                               | -                  | -                               | -                         |
| <b>Total comprehensive loss for the year</b>                                       | <b>-</b>                        | <b>-</b>           | <b>(20,474)</b>                 | <b>(20,474)</b>           |
| <b>Balance at 31 December 2019</b>   | <b>292,367</b>                  | <b>337</b>         | <b>(219,636)</b>                | <b>73,068</b>             |
| <b>Balance at 1 January 2020</b>   | <b>292,367</b>                  | <b>337</b>         | <b>(219,636)</b>                | <b>73,068</b>             |
| Loss for the year  | -                               | -                  | (4,409)                         | (4,409)                   |
| Other comprehensive income/(loss)  | -                               | -                  | -                               | -                         |
| <b>Total comprehensive loss for the year</b>                                       | <b>-</b>                        | <b>-</b>           | <b>(4,409)</b>                  | <b>(4,409)</b>            |
| <b>Balance at 31 December 2020</b>   | <b>292,367</b>                  | <b>337</b>         | <b>(224,045)</b>                | <b>68,659</b>             |

<sup>1</sup>Refer to the 31 December 2019 financial statements for details on the 2019 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 2020**

|   | Notes | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|---|-------|--|--|
| <b>Cash flows from operating activities</b>                               |       |  |  |
| Receipts from customers (inclusive of goods and services tax)             |       | 40,522                                     | 20,000                                     |
| Payments to suppliers and employees (inclusive of goods and services tax) |       | (41,124)                                   | (20,804)                                   |
| Interest received   |       | 161  | 70   |
| Interest and borrowing costs paid   |       | (995)                                      | (1,401)                                    |
| <b>Net cash inflow/(outflow) from operating activities</b>                | 25    | <b>(1,436)</b>                             | <b>(2,135)</b>                             |
| <b>Cash flows from investing activities</b>                               |       |  |  |
| Payments for plant and equipment  |       | -  | (1)  |
| Payments for investments in joint ventures                                |       | (23)                                       | (157)                                      |
| Loans to joint ventures and repayment of advances from joint ventures     |       | (3,946)                                    | (1,772)                                    |
| Repayment of loans by joint ventures                                      |       | 7,299                                      | 3,856                                      |
| Equity distributions received from joint ventures                         |       | -  | 149  |
| <b>Net cash inflow/(outflow) from investing activities</b>                |       | <b>3,330</b>                               | <b>2,075</b>                               |
| <b>Cash flows from financing activities</b>                               |       |  |  |
| Proceeds from borrowings  |       | 1,800                                      | 2,000                                      |
| Repayment of borrowings   |       | (2,000)                                    | (1,100)                                    |
| Repayment of lease liabilities  |       | (1,198)                                    | (1,417)                                    |
| <b>Net cash outflow from financing activities</b>                         |       | <b>(1,398)</b>                             | <b>(517)</b>                               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>               |       | <b>496</b>                                 | <b>(577)</b>                               |
| Cash and cash equivalents at the beginning of the financial year          |       | 836  | 1,413                                      |
| <b>Cash and cash equivalents at end of the financial year</b>             |       | <b>1,332</b>                               | <b>836</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 2020

### 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 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. Accordingly, amounts in the consolidated financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar or million dollars as specified.

#### (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 2020, the Group incurred a net loss after tax of \$4m (2019: net loss of \$20m) and incurred net cash outflows from operating activities of \$1m (2019: outflows of \$2m). As at 31 December 2020, the Group had net assets of \$69m (2019: \$73m) and current assets exceeded current liabilities by \$17m (2019: \$20m).

As at 31 December 2020, the Group had drawn debt and bank guarantees totalling \$41m under the ANZ Bank Multi-Option Facility (MOF) (31 December 2019: \$43m), of which \$37m has been classified as a non-current liability due to its maturity being 31 March 2022 (31 December 2019: \$37m classified as a non-current liability). The MOF does not contain financial covenants and is guaranteed by Devine's majority shareholder. The assets of the Group exceed the current \$41m exposure of the Group to the senior lender in relation to the MOF (31 December 2019: \$43m exposure).

## **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 the above 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 2020.

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 with joint control 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 with joint control 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**

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 all performance obligations on a contract are fulfilled. 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'.

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

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

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

Revenue in respect of the Group's property development projects is recognised upon fulfillment of all performance obligations on a contract. 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 Group'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 Group has an equity interest, only that portion of the revenue generated and costs incurred that relates to the equity interest of the Group'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 Group'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 of project sales. 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.

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

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

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

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.

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 of project sales 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 of project sales 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 it is highly probable that significant revenue reversal will not occur when the associated uncertainty with the variable consideration is subsequently resolved. 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.



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

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

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

##### **Practical expedient – transaction price allocated to remaining performance obligations**

The Group applies the practical expedient that where a performance obligation is part of a contract that has an original expected duration of one year or less, it will not disclose information on the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the period or the expected timing of recognition of these amounts as 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.

### (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

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 prepays 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).

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

### **(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.

### **(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.

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

### **(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).

### **(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.

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

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

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

*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.

#### **(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.

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

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

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

##### *(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.

#### **(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.

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

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

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

##### *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.

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.

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

### **(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**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (q) Impairment of non-financial assets.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

#### *Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

#### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases in which the Group does transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Fixed income arising from these leases is accounted for as finance income and allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Amounts due from customers under these leases are recognised as trade and other receivables.

### **(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.



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

### **(s) Provisions (continued)**

#### ***Onerous contracts (continued)***

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.

### **(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.

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

### **(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.

### **(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.

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

### **(x) Income tax (continued)**

#### ***(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**

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 2019 financial year or on the net assets as at 31 December 2019.

## **2. CHANGES IN ACCOUNTING STANDARDS**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. Unless otherwise stated, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **Amendments to AASB 16 *COVID-19 Related Rent Concessions***

The amendments to AASB 16 introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance.

The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. The Group has applied the amendments during the period commencing 1 January 2020 and have applied the practical expedient in accounting for COVID-19 related rent concessions for all eligible rent concessions.

### **Amendments to AASB 3: *Definition of a Business***

The amendment to AASB 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

### **Amendments to AASB 7, AASB 9 and AASB 139 *Interest Rate Benchmark Reform***

The amendments to AASB 9 and AASB 139 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

### **Amendments to AASB 101 and AASB 108 *Definition of Material***

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

### **Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

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

The following new accounting standards have been published but are not mandatory for the 31 December 2020 reporting period:

- AASB 17 *Insurance Contracts* effective 1 January 2023
- AASB 101 *Amendments – Classification of Liabilities as Current or Non-current* effective 1 January 2023
- AASB 3 *Business Combinations – Reference to the Conceptual Framework* effective 1 January 2022
- AASB 16 *Amendments – Proceeds before Intended Use* effective 1 January 2022
- AASB 137 *Amendments – Costs of Fulfilling a Contract* effective 1 January 2022
- AASB 1 *Amendments – Subsidiary as a First-time Adopter* effective 1 January 2022
- AASB 9 *Amendments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* effective 1 January 2022
- AASB 141 *Amendments – Taxation in Fair Value Measurements* effective 1 January 2022

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 \$nil expected credit loss allowance on trade receivables (31 December 2019: \$nil), \$nil fair value adjustment loss in relation to joint venture loans (31 December 2019: \$nil) and \$nil other amounts receivable from Group's joint ventures have been written-off during the period (31 December 2019: \$nil), 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.



Notes to the consolidated financial statements  
For the financial year ended 31 December 2020  
(continued)

**5. REVENUE FROM CONTINUING OPERATIONS**

| 12 months ended 31 December 2020                   | Communities   | Development | Construction | Total<br>continuing<br>operations |
|--|---------------|-------------|--------------|-----------------------------------|
|  | \$'000        | \$'000      | \$'000       | \$'000                            |
| <b>Revenue from contracts with customers</b>       |               |             |              |                                   |
| Revenue from land development and resale           | 31,852        | -           | -            | 31,852                            |
| Revenue from services                              | 2,949         | -           | -            | 2,949                             |
| <b>Total revenue from external customers</b>       | <b>34,801</b> | <b>-</b>    | <b>-</b>     | <b>34,801</b>                     |
| Revenue from construction activities               | -             | -           | -            | -                                 |
| Revenue from services                              | 1,187         | -           | -            | 1,187                             |
| <b>Total revenue from related parties</b>          | <b>1,187</b>  | <b>-</b>    | <b>-</b>     | <b>1,187</b>                      |
| <b>Total revenue from contracts with customers</b> | <b>35,988</b> | <b>-</b>    | <b>-</b>     | <b>35,988</b>                     |
| <i>Timing of revenue recognition</i>               |               |             |              |                                   |
| At a point in time                                 | 33,039        | -           | -            | 33,039                            |
| Over time  | 2,949         | -           | -            | 2,949                             |
| <b>Total revenue from contracts with customers</b> | <b>35,988</b> | <b>-</b>    | <b>-</b>     | <b>35,988</b>                     |
| <b>Other revenue</b>                               |               |             |              |                                   |
| Proceeds from insurance claims                     | -             | -           | 424          | 424                               |
| Rental income                                      | -             | -           | -            | -                                 |
| Sundry income                                      | 8             | -           | -            | 8                                 |
| <b>Total other revenue</b>                         | <b>8</b>      | <b>-</b>    | <b>424</b>   | <b>432</b>                        |
| <b>Total revenue from continuing operations</b>    | <b>35,996</b> | <b>-</b>    | <b>424</b>   | <b>36,420</b>                     |

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

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

| 12 months ended 31 December 2019                   | Communities   | Development | Construction | Total continuing operations |
|--|---------------|-------------|--------------|-----------------------------|
|  | \$'000        | \$'000      | \$'000       | \$'000                      |
| <b>Revenue from contracts with customers</b>       |               |             |              |                             |
| Revenue from land development and resale           | 14,850        | -           | -            | 14,850                      |
| Revenue from services                              | 1,755         | -           | -            | 1,755                       |
| <b>Total revenue from external customers</b>       | <b>16,605</b> | <b>-</b>    | <b>-</b>     | <b>16,605</b>               |
| Revenue from construction activities               | -             | -           | 396          | 396                         |
| Revenue from services                              | 504           | 18          | -            | 522                         |
| <b>Total revenue from related parties</b>          | <b>504</b>    | <b>18</b>   | <b>396</b>   | <b>918</b>                  |
| <b>Total revenue from contracts with customers</b> | <b>17,109</b> | <b>18</b>   | <b>396</b>   | <b>17,523</b>               |
| <i>Timing of revenue recognition</i>               |               |             |              |                             |
| At a point in time                                 | 15,354        | -           | -            | 15,354                      |
| Over time  | 1,755         | 18          | 396          | 2,169                       |
| <b>Total revenue from contracts with customers</b> | <b>17,109</b> | <b>18</b>   | <b>396</b>   | <b>17,523</b>               |
| <b>Other revenue</b>                               |               |             |              |                             |
| Proceeds from insurance claims                     | -             | -           | 300          | 300                         |
| Rental income                                      | -             | -           | -            | -                           |
| Sundry income                                      | 14            | 250         | 12           | 276                         |
| <b>Total other revenue</b>                         | <b>14</b>     | <b>250</b>  | <b>312</b>   | <b>576</b>                  |
| <b>Total revenue from continuing operations</b>    | <b>17,123</b> | <b>268</b>  | <b>708</b>   | <b>18,099</b>               |

- \$0.4m 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

|  | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|--|-------------------------------|-------------------------------|
| Trade receivables (refer Note 9)                           | 17                            | 39                            |
| Less: Allowances for expected credit losses (refer Note 9) | -                             | -                             |
| <b>Total trade receivables</b>                             | <b>17</b>                     | <b>39</b>                     |
| Contract assets (refer Note 10)                            | 8,360                         | 9,194                         |
| <b>Total contract assets</b>                               | <b>8,360</b>                  | <b>9,194</b>                  |
| Contract liabilities                                       | -                             | -                             |
| <b>Contract liabilities</b>                                | <b>-</b>                      | <b>-</b>                      |

Trade receivables are generally on terms of 7 - 30 days from invoice date. The 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.

During 2020, \$nil profit or loss was recognised in respect of provisions for expected credit losses. During 2019, a profit of \$0.25m was recognised on the reversal of a provision for expected credit losses on trade receivables due to recovery of the outstanding trade receivable. 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 2020 contract assets include \$8.4m receivable from a Land Owner in relation to a Land Management Agreement (31 December 2019: \$9.2m) and \$4.7m of this contract asset has been classified as non-current and discounted to present value (31 December 2019: \$5.3m). Expected credit losses in respect of contract assets have been assessed as \$nil at 31 December 2020 (31 December 2019: \$nil).

Significant movements in contract assets during 2020 relate to \$2.9m of revenue recognised as performance obligations have been satisfied under relevant contracts with the Group's customers offset by \$0.2m negative discounting impact recognised on the non-current portion (refer Note 7) and consideration received from customers during the period.

During the period, \$nil revenue has been recognised from amounts included in contract liabilities at the beginning of the year (31 December 2019: \$nil) and \$4.0m revenue has been recognised from performance obligations satisfied in previous years (31 December 2019: \$2.0m).

## **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.

The 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 at 31 December 2020, the aggregate amount of transaction price allocated to the remaining performance obligations under a Land Management Agreement with a Land Owner is \$27.1m and the Group will recognise this revenue over completion of the development in the next 4-5 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 2020**  
**(continued)**

**6. EXPENSES FROM CONTINUING OPERATIONS**

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

|  | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|--|--|--|
| Cost of sales  | 25,113                                     | 13,171                                     |
| Inventory impairment (net of write-backs on settlements) | (1,406)                                    | 15,088                                     |
| Marketing and selling costs                              | 14,170                                     | 4,790                                      |
| Occupancy  | 600  | 677  |
| Administration   | 3,451                                      | 4,810                                      |
| Land holding expenses                                    | 777  | 756  |
| Other  | 1,398                                      | 930  |
| <b>Total expenses</b>                                    | <b>44,103</b>                              | <b>40,222</b>                              |

- December 2020 inventory impairment (net of write-backs on settlements) includes \$1.9m write-down of inventories (31 December 2019: \$15.7m), refer Note 11.
- December 2020 occupancy expenses includes \$0.4m depreciation of right-of-use assets (31 December 2019: \$0.4m), refer Note 20. Occupancy costs are also offset by a \$48k benefit relating to the application of the practical expedient in respect of rent concessions that were a direct consequence of COVID-19.
- December 2020 administration expenses include employee benefits of \$2.6m (31 December 2019: \$3.9m). December 2020 administration expenses are offset by \$380k of JobKeeper Payment subsidies received during the period (December 2019: \$nil).
- December 2020 other expenses include \$0.6m of costs relating to the design and implementation of a new Group-wide ERP system (December 2019: \$nil), \$nil expected credit losses or fair value adjustments in relation to trade and other receivables (31 December 2019: \$nil - refer Note 34(b)) and \$0.1m of depreciation expense (31 December 2019: \$0.1m – refer Note 15).

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

|  | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|--|--|--|
| <b>Finance income</b>                                    |  |  |
| Interest income  | 161  | 69   |
| Unwinding of discounts                                   | 181  | 125  |
| <b>Total finance income</b>                              | <b>342</b>                                 | <b>194</b>                                 |
| <b>Finance expense</b>                                   |  |  |
| Interest costs   | 568  | 1,213                                      |
| Borrowing costs  | 139  | 249  |
| Interest costs capitalised to inventory (refer Note 11)  | (488)                                      | (1,035)                                    |
| Borrowing costs capitalised to inventory (refer Note 11) | (64)                                       | (160)                                      |
| Impact of discounting                                    | -  | -  |
| <b>Total finance expense</b>                             | <b>155</b>                                 | <b>267</b>                                 |
| <b>Net finance income / (expense)</b>                    | <b>187</b>                                 | <b>(73)</b>                                |

## 8. INCOME TAX EXPENSE

### (a) Income tax expense

|  | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'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<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|---|--|--|
| Loss from continuing operations before income tax expense                                 | (4,522)                                    | (20,384)                                   |
| Profit / (loss) from discontinuing operations before income tax expense*                  | 113  | (90)                                       |
| <b>Total loss before income tax expense</b>   | (4,409)                                    | (20,474)                                   |
| Tax at the Australian tax rate of 30% (2019 - 30%)  | (1,323)                                    | (6,142)                                    |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: |  |  |
| Tax losses and temporary differences not recognised                                       | 1,325                                      | 6,128                                      |
| Entertainment   | (2)  | 1  |
| Other non-deductible expenses   | -  | 13   |
| <b>Total income tax expense at the effective income tax rate of 0% (2019: 0%)</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 \$173,904,182 (December 2019: \$163,176,169) 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 \$50,277,417 (December 2019: \$48,952,851) 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 2020**  
**(continued)**

**9. TRADE AND OTHER RECEIVABLES**

|  | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--|--|-------------------------------|
| Trade receivables  | 17                                     | 39                            |
| Less: Allowance for expected credit losses (refer Notes 6 & 34(b)) | -                                      | -                             |
| <b>Total trade receivables</b>                                     | <b>17</b>                              | <b>39</b>                     |
|  |  |                               |
| Joint venture loans  | 7,197                                  | 9,771                         |
| Other amounts receivable   | 3,265                                  | 2,993                         |
| Deposits   | 6                                      | 16                            |
| <b>Total other receivables</b>                                     | <b>10,468</b>                          | <b>12,780</b>                 |
| <b>Total trade and other receivables</b>                           | <b>10,485</b>                          | <b>12,819</b>                 |
|  |  |                               |
| Current  | 10,485                                 | 12,767                        |
| Non-current  | -                                      | 52                            |
| <b>Total trade and other receivables</b>                           | <b>10,485</b>                          | <b>12,819</b>                 |

- For details including terms and conditions on trade receivables refer Notes 1(h)(i), 5(a) and 28(g).
- During the year, \$9.4m loans were repaid by the joint ventures from land settlement proceeds and an additional \$6.0m cash funding was provided to the joint ventures, refer consolidated statement of cash flows for movements in joint venture loans.
- 31 December 2020 joint venture loans are expected to be received within 12 months from the reporting date. (December 2019: joint venture loans classified as current), refer Note 28(g).
- Other amounts receivable mainly comprise:
  - \$2.7m fee receivable from an associate of a related party and GST credit on the revised fee value (classified as current) (31 December 2019: this receivable stood at \$2.7m and was expected to be received within 12 months from the 31 December 2019 reporting date); and
  - \$0.1m in respect of the Group's net investment in a finance sub-lease (31 December 2019: \$0.2m).
- At 31 December 2020, \$7.2m of joint venture loans and \$2.7m of other amounts receivable are measured at fair value through profit or loss and categorised within Level 3 of the fair value hierarchy (31 December 2019: \$9.7m joint venture loans and \$2.7m other amounts receivable). Significant unobservable inputs used in the fair value measurements included discounts for counterparty credit risk and risks resulting from delays in project completion. During the period, no fair value adjustment gains or losses were recognised in relation to these assets (31 December 2019: \$nil). Refer Notes 6, 34(b) & (d) and 28(g).

**10. CONTRACT ASSETS**

|                              | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|------------------------------|--|-------------------------------|
| Contract assets              | 8,360                                  | 9,194                         |
| <b>Total contract assets</b> | <b>8,360</b>                           | <b>9,194</b>                  |
|                              |  |                               |
| Current                      | 3,692                                  | 3,863                         |
| Non-current                  | 4,668                                  | 5,331                         |
| <b>Total contract assets</b> | <b>8,360</b>                           | <b>9,194</b>                  |

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



**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

**11. INVENTORIES**

|  | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--|--|-------------------------------|
| <b>Land held for sale</b>  |  |                               |
| Acquisition costs  | <b>10,926</b>                          | 12,156                        |
| Development costs capitalised  | <b>57,036</b>                          | 61,586                        |
| <b>Total inventories - at the lower of cost and net realisable value</b> | <b>67,962</b>                          | 73,742                        |
| <br>   |  |                               |
| Current  | <b>14,110</b>                          | 15,049                        |
| Non-current  | <b>53,852</b>                          | 58,693                        |
| <b>Total inventories - at the lower of cost and net realisable value</b> | <b>67,962</b>                          | 73,742                        |

- The decrease in inventories at 31 December 2020 compared to 31 December 2019 relates to impairments of residential land projects (refer Note 6) and sales during the period, offset by development costs capitalised.
- At 31 December 2020, land inventories with a carrying value of \$1.5m (December 2019: \$6.2m) have been pledged as security for a joint venture debt – refer Notes 14(b), 30(a)(i), 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 2020 was \$0.6m (December 2019: \$1.2m), refer Note 7. The weighted average interest rate on borrowings at 31 December 2020 is 1.16% (December 2019: 2.01%), refer Note 34(a).

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

## 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 2020 %    | December 2019 % |
| 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             |
| 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             |
| Devine Building Management Services Pty Ltd*        | Property management  | 100                | 100             |
| DoubleOne 3 Building Management Services Pty Ltd*** | Property management  | -                  | 100             |
| Devine Projects (VIC) Pty Ltd*                      | Property development | 100                | 100             |
| Devine SA Land 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             |

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 ended 31 December 2020.

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

\*\*\* These entities were deregistered on 29 July 2020.

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

Devine Limited and its 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 2020 for the Closed Group.

|   | <b>12 months to<br/>December<br/>2020<br/>\$'000</b> | 12 months to<br>December<br>2019<br>\$'000 |
|---|--|--|
| <b>Consolidated statement of profit or loss</b>                       |  |  |
| Loss before tax from continuing operations                            | <b>(4,259)</b>                                       | (26,799)                                   |
| Income tax expense  | -  | -  |
| Loss after tax from continuing operations                             | <b>(4,259)</b>                                       | (26,799)                                   |
| Profit / (loss) after tax from discontinued operations                | 113  | (90)                                       |
| <b>Loss for the year</b>  | <b>(4,146)</b>                                       | (26,889)                                   |
| <b>Summary of movements in consolidated accumulated losses</b>        |  |  |
| <b>Accumulated losses at the beginning of the reporting period</b>    | <b>(234,276)</b>                                     | (206,920)                                  |
| Opening balance adjustment on application of new accounting standards | -  | (467)                                      |
| Loss for the year   | <b>(4,146)</b>                                       | (26,889)                                   |
| <b>Accumulated losses at the end of the reporting period</b>          | <b>(238,422)</b>                                     | (234,276)                                  |

- Following a detailed expected credit loss assessment performed on intercompany balances at a 'Closed Group' level and Parent entity level, \$nil intercompany balances of the 'Closed Group' were forgiven (31 December 2019: net \$21.6m). 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 2020 for the Closed Group.

|   | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|---|-------------------------------|-------------------------------|
| <b>Current assets</b>                             |                               |                               |
| Cash and cash equivalents                         | 1,332                         | 836                           |
| Trade and other receivables                       | 10,483                        | 12,767                        |
| Contract assets                                   | 3,692                         | 3,863                         |
| Inventories                                       | 12,934                        | 13,575                        |
| Prepayments                                       | 407                           | 732                           |
| <b>Total current assets</b>                       | <b>28,848</b>                 | <b>31,773</b>                 |
| <b>Non-current assets</b>                         |                               |                               |
| Trade and other receivables                       | 27,171                        | 26,321                        |
| Contract assets                                   | 4,668                         | 5,331                         |
| Inventories                                       | 13,503                        | 19,253                        |
| Investments accounted for using the equity method | 26,742                        | 23,745                        |
| Plant and equipment                               | 80                            | 446                           |
| Deferred tax assets                               | -                             | -                             |
| Intangible assets                                 | 3,316                         | 3,316                         |
| <b>Total non-current assets</b>                   | <b>75,480</b>                 | <b>78,412</b>                 |
| <b>Total assets</b>                               | <b>104,328</b>                | <b>110,185</b>                |
| <b>Current liabilities</b>                        |                               |                               |
| Trade and other payables                          | 10,770                        | 10,291                        |
| Lease liabilities                                 | 329                           | 1,421                         |
| Interest bearing loans                            | -                             | -                             |
| Provisions  | 1,706                         | 1,353                         |
| <b>Total current liabilities</b>                  | <b>12,805</b>                 | <b>13,065</b>                 |
| <b>Non-current liabilities</b>                    |                               |                               |
| Trade and other payables                          | -                             | 62                            |
| Lease liabilities                                 | 20                            | 317                           |
| Interest bearing loans                            | 36,685                        | 36,885                        |
| Provisions  | 536                           | 1,428                         |
| <b>Total non-current liabilities</b>              | <b>37,241</b>                 | <b>38,692</b>                 |
| <b>Total liabilities</b>                          | <b>50,046</b>                 | <b>51,757</b>                 |
| <b>Net assets</b>                                 | <b>54,282</b>                 | <b>58,428</b>                 |
| <b>Equity</b>                                     |                               |                               |
| Contributed equity                                | 292,367                       | 292,367                       |
| Reserves  | 337                           | 337                           |
| Accumulated losses                                | (238,422)                     | (234,276)                     |
| <b>Total equity</b>                               | <b>54,282</b>                 | <b>58,428</b>                 |

## 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<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|---|--|-------------------------------|
| <b>Statement of financial position</b>                |  |                               |
| <i>Assets</i>   |  |                               |
| Current assets  | <b>23,284</b>                          | 25,970                        |
| Non-current assets                                    | <b>31,520</b>                          | 29,718                        |
| <b>Total assets</b>                                   | <b>54,804</b>                          | 55,688                        |
| <i>Liabilities</i>                                    |  |                               |
| Current liabilities                                   | <b>9,469</b>                           | 7,962                         |
| Non-current liabilities                               | <b>36,700</b>                          | 37,437                        |
| <b>Total liabilities</b>                              | <b>46,169</b>                          | 45,399                        |
| <b>Net assets</b>                                     | <b>8,635</b>                           | 10,289                        |
| <i>Equity</i>   |  |                               |
| Contributed equity                                    | <b>292,367</b>                         | 292,367                       |
| Reserves  | <b>337</b>                             | 337                           |
| Accumulated losses                                    | <b>(284,069)</b>                       | (282,415)                     |
| <b>Total equity</b>                                   | <b>8,635</b>                           | 10,289                        |
| <b>Total loss and comprehensive loss for the year</b> | <b>(1,654)</b>                         | (64,155)                      |

- Following a detailed expected credit loss assessment performed on intercompany balances at a 'Closed Group' level and Parent entity level, \$nil intercompany balances of the Parent entity have been forgiven (31 December 2019: net \$21.6m). This has \$nil impact at a Devine Limited consolidated entity level.
- \$Nil intercompany balances of the Parent entity have been forgiven during the period in respect of entities deregistered during the period (31 December 2019: \$37.94m). This has \$nil impact at a Devine Limited consolidated entity level. Refer to Note 13 for additional detail on entities deregistered during the period.
- Net deferred tax assets of \$0.1m have been derecognised during the period (31 December 2019: \$0.9m). This has \$nil impact at a Devine Limited consolidated entity level.
- In the period ended 31 December 2019, an opening balance adjustment to accumulated losses of the parent entity of \$0.37m was recorded on the application of AASB 16 *Leases*.

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

Devine Limited and its controlled entities have provided bank guarantees and surety bonds totalling \$10.5m at 31 December 2020 (December 2019: \$13.2m) 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 \$3.4m at 31 December 2020 (31 December 2019: \$15.7m). This debt has been primarily secured against assets of the joint venture with a carrying value of \$12.1m at the reporting date (31 December 2019: \$29.4m) and a land asset with a carrying value of \$1.5m owned by Devine Land Pty Ltd at the reporting date (31 December 2019: \$6.2m). 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).

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

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

Devine Limited provided a guarantee for the performance of a Group's joint venture in proportion to its 50% shareholding for a debt which was fully repaid as at 31 December 2020 (31 December 2019: \$5.0m) which was primarily secured against assets of the joint venture with a carrying value of \$49.9m at the reporting date (31 December 2019: \$50.8m). The debt was repaid from the property sales of the joint venture. Refer Notes 34(b) and 30(a)(i).

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.

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

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

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

**15. PROPERTY, PLANT AND EQUIPMENT**

|  | Leasehold<br>improvements<br>\$'000 | Computer<br>equipment<br>\$'000 | Other plant<br>and<br>equipment<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------------|---------------------------------|---|-----------------|
| <b>Year ended 31 December 2020</b>                             |                                     |                                 |   |                 |
| Opening net book amount  | 51                                  | 14                              | -   | 65              |
| Additions  | -                                   | -                               | -   | -               |
| Disposals  | -                                   | -                               | -   | -               |
| Assets written off   | (542)                               | (13)                            | -   | -               |
| Depreciation charge  | (39)                                | (14)                            | -   | (53)            |
| Depreciation write back on disposals and assets written off    | 542                                 | 13                              | -   | -               |
| <b>Closing net book amount (excluding right-of-use assets)</b> | <b>12</b>                           | <b>-</b>                        | <b>-</b>                                  | <b>12</b>       |
| <b>At 31 December 2020</b>                                     |                                     |                                 |   |                 |
| Cost   | 1,810                               | 533                             | 237                                       | 2,580           |
| Accumulated depreciation                                       | (1,798)                             | (533)                           | (237)                                     | (2,568)         |
| <b>Closing net book amount (excluding right-of-use assets)</b> | <b>12</b>                           | <b>-</b>                        | <b>-</b>                                  | <b>12</b>       |
| <b>Add:</b> Right-of-use assets (refer Note 20)                |                                     |                                 |   | <b>87</b>       |
| <b>Closing net book amount</b>                                 |                                     |                                 |   | <b>99</b>       |
| <b>Year ended 31 December 2019</b>                             |                                     |                                 |   |                 |
| Opening net book amount  | 97                                  | 79                              | -   | 176             |
| Additions  | -                                   | 1                               | -   | 1               |
| Disposals  | -                                   | -                               | -   | -               |
| Assets written off   | -                                   | -                               | -   | -               |
| Depreciation charge  | (46)                                | (66)                            | -   | (112)           |
| Depreciation write back on disposals and assets written off    | -                                   | -                               | -   | -               |
| <b>Closing net book amount (excluding right-of-use assets)</b> | <b>51</b>                           | <b>14</b>                       | <b>-</b>                                  | <b>65</b>       |
| <b>At 31 December 2019</b>                                     |                                     |                                 |   |                 |
| Cost   | 2,352                               | 546                             | 237                                       | 3,135           |
| Accumulated depreciation                                       | (2,301)                             | (532)                           | (237)                                     | (3,070)         |
| <b>Closing net book amount (excluding right-of-use assets)</b> | <b>51</b>                           | <b>14</b>                       | <b>-</b>                                  | <b>65</b>       |
| <b>Add:</b> Right-of-use assets (refer Note 20)                |                                     |                                 |   | <b>398</b>      |
| <b>Closing net book amount</b>                                 |                                     |                                 |   | <b>463</b>      |

## 16. INTANGIBLE ASSETS

|                        | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'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 (2019: 0.7%) and a terminal value is extrapolated using year 5 royalty projection, a growth rate of 3% (2019: 3%) and a risk adjusted discount rate of 10.0% (2019: 9.0%). Royalty projections for first 5 years and the terminal value are adjusted by a tax rate of 30% (2019: 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 recoverable amount.

## 17. DEFERRED TAX ASSETS

|  | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--|--|-------------------------------|
| <b>The balance comprises temporary differences attributable to:</b>          |  |                               |
| Accrued expenses   | <b>104</b>                             | 81                            |
| Employee benefits  | <b>191</b>                             | 253                           |
| Inventories  | <b>13,537</b>                          | 12,600                        |
| Provisions   | <b>506</b>                             | 739                           |
| Prepaid borrowing costs  | <b>-</b>                               | 61                            |
| Leases   | <b>603</b>                             | 509                           |
| Other  | <b>194</b>                             | 53                            |
| Total deferred tax assets  | <b>15,135</b>                          | 14,296                        |
| Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18) | <b>(15,135)</b>                        | (14,296)                      |
| <b>Net deferred tax assets</b>   | <b>-</b>                               | -                             |

### Movements:

|   |                 |          |
|---|-----------------|----------|
| Opening balance before set-off                              | <b>14,296</b>   | 9,954    |
| Credited/(charged) to the statement of comprehensive income | <b>839</b>      | 4,342    |
| AASB 15 transition adjustments                              | <b>-</b>        | -        |
| Set-off (refer Note 18)                                     | <b>(15,135)</b> | (14,296) |
| <b>Closing balance</b>                                      | <b>-</b>        | -        |



**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

**18. DEFERRED TAX LIABILITIES**

|   | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|---|--|-------------------------------|
| <b>The balance comprises temporary differences attributable to:</b>     |  |                               |
| Brand name  | 995                                    | 995                           |
| Inventories   | 11,005                                 | 11,352                        |
| Investment in joint ventures  | 2,282                                  | 1,427                         |
| Other   | 853                                    | 522                           |
| Total deferred tax liabilities  | 15,135                                 | 14,296                        |
| Set-off of deferred tax assets pursuant to set-off provisions (Note 17) | (15,135)                               | (14,296)                      |
| <b>Net deferred tax liabilities</b>                                     | <b>-</b>                               | <b>-</b>                      |

**Movements:**

|   |          |          |
|---|----------|----------|
| Opening balance before set-off                          | 14,296   | 9,954    |
| Charged/(credited) to statement of comprehensive income | 839      | 4,342    |
| AASB 15 transition adjustments                          | -        | -        |
| Set off (refer Note 17)                                 | (15,135) | (14,296) |
| <b>Closing balance</b>                                  | <b>-</b> | <b>-</b> |

**19. TRADE AND OTHER PAYABLES**

|                                       | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|---------------------------------------|--|-------------------------------|
| Trade payables                        | 2,466                                  | 2,603                         |
| Advances from joint ventures          | 8,160                                  | 7,381                         |
| Other amounts payable                 | 176                                    | 419                           |
| Other payables                        | 8,336                                  | 7,800                         |
| <b>Total trade and other payables</b> | <b>10,802</b>                          | <b>10,403</b>                 |
| Current                               | 10,802                                 | 10,341                        |
| Non-current                           | -                                      | 62                            |
| <b>Total trade and other payables</b> | <b>10,802</b>                          | <b>10,403</b>                 |

- During the year, \$3.9m repayments were made towards advances from joint ventures from Wallan englobo residential allotment settlement proceeds, offset by \$4.7m in advances from other joint ventures. Refer consolidated statement of cash flows for movements in joint venture working capital loans (31 December 2019: \$3.8m repayments made from Wallan englobo residential allotment settlement proceeds).
- 31 December 2020 advances from joint venture loans are expected to be repaid within 12 months from the reporting date and have been classified as current. (31 December 2019: all joint venture loans classified as current), refer Note 28(h).
- The decrease in trade payables at 31 December 2020 compared to 31 December 2019 is mainly due to reduction in construction and land development accruals following completion of construction projects and reduced land development activity during December 2020.
- For other details including terms and conditions on trade and other payables refer Notes 1(m) and 34(c).

## **20. LEASES**

### **Group as a lessee**

The Group has lease contracts for various items of plant and equipment used in its operations, as well as for its office premises and sales offices. Leases of plant and equipment generally have lease terms of approximately 3 years, while lease terms for the Group's offices and sales offices range from 1 year to 8 years. The Group's lease portfolio includes a several lease contract that includes extension options, which are further discussed below.

Per Note 1(r), the Group applies the short-term lease recognition exemption and low-value assets recognition exemption as an accounting policy. In the current period, no expenses have arisen in respect of short-term leases or low-value asset leases.

Set out below are the carrying amounts of right-of-use assets recognised within property, plant and equipment and the movements during the period:

|                               | <b>Plant and<br/>Equipment<br/>\$'000</b> | <b>Property<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-------------------------------|---|----------------------------|-------------------------|
| <b>As at 31 December 2019</b> | <b>72</b>                                 | <b>326</b>                 | <b>398</b>              |
| Additions                     | -   | 63                         | 63                      |
| Depreciation charge           | (72)                                      | (302)                      | (374)                   |
| <b>As at 31 December 2020</b> | <b>-</b>                                  | <b>87</b>                  | <b>87</b>               |

Refer to Note 15 for additional detail on the Group's property, plant and equipment assets.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

|                                     | <b>Plant and<br/>equipment<br/>\$'000</b> | <b>Property<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-------------------------------------|---|----------------------------|-------------------------|
| <b>As at 31 December 2019</b>       | <b>201</b>                                | <b>1,556</b>               | <b>1,757</b>            |
| Additions                           | -   | 63                         | 63                      |
| Impact of COVID-19 rent concessions | -   | (48)                       | (48)                    |
| Accretion of interest               | 5   | 63                         | 68                      |
| Payments                            | (206)                                     | (1,265)                    | (1,471)                 |
| <b>As at 31 December 2020</b>       | <b>-</b>                                  | <b>369</b>                 | <b>369</b>              |
| Current                             | -   | 349                        | 349                     |
| Non-current                         | -   | 20                         | 20                      |
| <b>Total lease liabilities</b>      | <b>-</b>                                  | <b>369</b>                 | <b>369</b>              |

Refer to Note 2 for additional detail on the impact of the application of AASB 16 on the Consolidated Statement of Financial Position.

The maturity analysis of lease liabilities is disclosed in Note 34.

## 20. LEASES (continued)

The consolidated statement of comprehensive income shows the following amounts relating to leases:

|   | <b>12 months to<br/>December<br/>2020<br/>\$'000</b> | 12 months to<br>December<br>2019<br>\$'000 |
|---|--|--|
| <b>Depreciation charge of right-of-use assets (included in occupancy expense)</b> |  |  |
| Plant and equipment   | (72)   | (96)                                       |
| Property  | (302)  | (297)                                      |
|   | <b>(374)</b>   | <b>(393)</b>                               |
| <br>Interest expense on lease liabilities (included in finance expense)           | <br><b>(68)</b>                                      | <br><b>(151)</b>                           |
| Finance income on sub-leases (included in finance income)                         | <b>10</b>  | <b>21</b>                                  |

The Group had total cash outflows for leases of \$1,471k in 2020 (2019: \$1,570k). The Group has not entered into any non-cancellable lease contracts which have not yet commenced.

The Group has a number of lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgment in determining whether these extension options are reasonably certain to be exercised. Management considers the likelihood of these options being exercised as remote.

### Group as a lessor

The Group has entered into a sub-lease contract for one of its office buildings which has been classified as a finance lease by reference to the right-of-use asset arising from the head lease. This contract has a lease term of 3.5 years. \$10k of finance income was recognised in respect of the sublease in 2020 (2019: \$21k).

## 21. INTEREST BEARING LIABILITIES

|   | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|---|--|-------------------------------|
| Unsecured bank loans                      | <b>36,685</b>                          | 36,885                        |
| <b>Total interest bearing liabilities</b> | <b>36,685</b>                          | 36,885                        |
| <br>Current                               | <br>-                                  | <br>-                         |
| Non-current                               | <b>36,685</b>                          | 36,885                        |
| <b>Total interest bearing liabilities</b> | <b>36,685</b>                          | 36,885                        |

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

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

**22. PROVISIONS**

|  | <b>Employee<br/>\$'000</b> | <b>Legal and<br/>Structural<br/>Warranties<br/>\$'000</b> | <b>Onerous<br/>operating<br/>lease<br/>\$'000</b> | <b>Lease make-<br/>good<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|----------------------------|---|---|--|-------------------------|
| At 31 December 2019  | 681                        | 1,580   | -   | 520                                    | 2,781                   |
| Arising during the year                                      | 232                        | -   | -   | -                                      | 232                     |
| Utilised   | (294)                      | (475)   | -   | -                                      | (769)                   |
| Unwinding of discount and<br>changes in the discount<br>rate | (2)                        | -   | -   | -                                      | (2)                     |
| <b>At 31 December 2020</b>                                   | <b>617</b>                 | <b>1,105</b>  | <b>-</b>  | <b>520</b>                             | <b>2,242</b>            |
| Current  | 558                        | 628   | -   | 520                                    | 1,706                   |
| Non-current  | 59                         | 477   | -   | -                                      | 536                     |
| At 31 December 2019  | 681                        | 1,580   | -   | 520                                    | 2,781                   |
| Current  | 491                        | 862   | -   | -                                      | 1,353                   |
| Non-current  | 190                        | 718   | -   | 520                                    | 1,428                   |

For details on movements in onerous operating lease and legal and structural warranty provisions during the period, refer Notes 2, 6 and 31(b).

**23. CONTRIBUTED EQUITY**

**(a) Share capital**

|                              | <b>31 December<br/>2020<br/>Shares</b> | 31 December<br>2019<br>Shares | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'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<br/>shares</b> | <b>\$'000</b> |
|------------------|-----------------|-----------------------------|---------------|
| 1 January 2020   | Opening balance | 158,730,556                 | 292,367       |
| 31 December 2020 | Closing balance | 158,730,556                 | 292,367       |

## 23. CONTRIBUTED EQUITY (continued)

### (c) Capital risk management

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

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

The gearing ratios are as follows:

|                                 | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|---------------------------------|--|-------------------------------|
| Interest bearing loans          | 36,685                                 | 36,885                        |
| Less: Cash and cash equivalents | (1,332)                                | (836)                         |
| <b>Net debt</b>                 | <b>35,353</b>                          | 36,049                        |
| Total assets                    | 118,757                                | 124,894                       |
| Less: Cash and cash equivalents | (1,332)                                | (836)                         |
| <b>Assets</b>                   | <b>117,425</b>                         | 124,058                       |
| <b>Gearing ratio</b>            | <b>30.1%</b>                           | 29.1%                         |

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

### (a) Reserves

|                             | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|-----------------------------|--|-------------------------------|
| Share based payment reserve | 337                                    | 337                           |

#### Movements:

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

|   |            |            |
|---|------------|------------|
| Opening balance                             | 337        | 337        |
| Share-based payment expense (refer Note 27) | -          | -          |
| <b>Closing balance</b>                      | <b>337</b> | <b>337</b> |

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

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

|  | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--|--|-------------------------------|
| Opening balance  | (219,636)                              | (198,686)                     |
| Opening balance adjustment on application of new accounting standards <sup>1</sup> | -                                      | (476)                         |
| Net loss for the year  | (4,409)                                | (20,474)                      |
| <b>Closing balance</b>   | <b>(224,045)</b>                       | (219,636)                     |

<sup>1</sup>Refer to the 31 December 2019 financial statements for details on 2019 opening balance adjustments made on application of new accounting standards.

**Notes to the consolidated financial statements**  
**For the financial year ended 31 December 2020**  
**(continued)**

**25. NOTES TO STATEMENT OF CASHFLOWS**

|  | Notes       | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|--|-------------|-------------------------------|-------------------------------|
| <b>Reconciliation of loss after tax to net cash flow from operating activities</b> |             |                               |                               |
| Loss after income tax  |             | (4,409)                       | (20,474)                      |
| <b>Adjustments for:</b>  |             |                               |                               |
| Profit from equity accounted joint ventures  | 29(b)(iii)  | (2,974)                       | (1,812)                       |
| Depreciation   | 15, 20      | 427                           | 505                           |
| Write-off of plant and equipment   | 15          | -                             | -                             |
| Non-cash employee share-based payment expense                                      | 24(a)       | -                             | -                             |
| Gain on sale of plant and equipment  |             | -                             | (2)                           |
| Movement in inventory provisions   | 6           | (1,406)                       | 15,088                        |
| Other asset impairments / (recovery of previously impaired assets)                 | 5(a), 34(b) | -                             | (250)                         |
| <b>Change in operating assets and liabilities:</b>                                 |             |                               |                               |
| Decrease in trade and other receivables and contract assets                        |             | 594                           | 1,003                         |
| Decrease in inventories  |             | 7,186                         | 6,070                         |
| Decrease in prepayments  |             | 319                           | 78                            |
| Decrease in trade and other payables   |             | (634)                         | (324)                         |
| Decrease in provisions   |             | (539)                         | (2,017)                       |
| <b>Net cash inflow/(outflow) from operating activities</b>                         |             | <b>(1,436)</b>                | <b>(2,135)</b>                |

**26. REMUNERATION OF AUDITORS**

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

|   | 12 months to<br>December<br>2020<br>\$ | 12 months to<br>December<br>2019<br>\$ |
|---|--|--|
| <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> | 206,725                                | 239,288                                |
| <b>Total remuneration for audit and other assurance services</b>                                  | <b>206,725</b>                         | <b>239,288</b>                         |
| <b>Taxation services</b>  |  |  |
| Tax compliance and advisory services  | -                                      | 19,540                                 |
| <b>Total remuneration for taxation services</b>   | <b>-</b>                               | <b>19,540</b>                          |
| <b>Total remuneration of Ernst &amp; Young</b>  | <b>206,725</b>                         | <b>258,828</b>                         |

## **27. SHARE-BASED PAYMENTS**

### **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 expired on the earlier of the vesting date where performance hurdles are not met or termination of the individual's employment. At 31 December 2020, there are no outstanding performance rights issued under the LTI plan, with the latest rights issued having expired in the 2018 financial year.

## **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 nor between the Group and Actividades de Construcción y Servicios SA during the financial year (December 2019: \$nil).

During the 2020 financial year, the Group's majority shareholder and its controlled entities invoiced the Group amounts totalling \$179,977 (2019: \$194,861) in relation to Director's fees, travel services, and workspaces rented by the Group in the CPB Victoria office.

During the 2020 financial year, \$51,524 was invoiced by the Group to its majority shareholder and its controlled entities in respect of a sublease of Devine's head office (2019: \$nil).

The above transactions were under normal commercial terms and conditions.

During the 2020 financial year, the majority shareholder did not provide any discretionary bonuses to KMP (2019: the majority shareholder provided a discretionary bonus to KMP of \$172,500).

During the 2019 financial year, a \$55m Multi-Option Facility (MOF) expiring 31 March 2022 was made available to the Group by the senior lender guaranteed by the Group's majority shareholder. This was an extension and variation of the MOF which was previously made available to the Group in the 2018 financial year (previously a \$70m facility expiring 29 March 2020 which was guaranteed by the Group's majority shareholder). No guarantee fee has been charged to Devine in 2020 (2019: \$nil).

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 2020 (December 2019: \$nil).

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

No loans were secured or made during the financial year ended 31 December 2020 (December 2019: \$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 2020 (December 2019: \$nil)

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

|                              | <b>12 months to<br/>December<br/>2020<br/>\$</b> | 12 months to<br>December<br>2019<br>\$ |
|------------------------------|--|--|
| Short-term employee benefits | <b>804,420</b>                                   | 1,172,206                              |
| Post-employment benefits     | <b>35,387</b>                                    | 48,553                                 |
| <b>Total</b>                 | <b>839,807</b>                                   | 1,220,759                              |



## 28. RELATED PARTY TRANSACTIONS (continued)

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

|   | 12 months to<br>December<br>2020<br>\$ | 12 months to<br>December<br>2019<br>\$ |
|---|--|--|
| <b>Revenue from contract with customers</b>                 |  |  |
| Revenue from construction services - related joint ventures | -                                      | 396,360                                |
| Revenue from property development - related joint ventures  | 1,187,040                              | 522,042                                |
| Total (refer Note 5)  | 1,187,040                              | 918,402                                |
| <b>Other revenue</b>  |  |  |
| Sundry income   | -                                      | -                                      |
| Total   | -                                      | -                                      |
| <b>Total revenue from related parties</b>                   | <b>1,187,040</b>                       | <b>918,402</b>                         |
| <b>Finance income from related parties</b>                  | <b>-</b>                               | <b>-</b>                               |

### (g) Amounts owed by related parties

|  | 31 December<br>2020<br>\$ | 31 December<br>2019<br>\$ |
|--|---------------------------|---------------------------|
| Trade receivables owing by related parties               | 16,788                    | 39,150                    |
| Less: Allowance for expected credit losses               | -                         | -                         |
| Total trade receivables - related parties (refer Note 9) | 16,788                    | 39,150                    |
| Joint venture loans                                      | 7,196,764                 | 9,770,515                 |
| Other amounts receivable from related parties            | 38,386                    | -                         |
| Total other receivables – related parties (refer Note 9) | 7,235,150                 | 9,770,515                 |
| <b>Total amounts owed by related parties</b>             | <b>7,251,938</b>          | <b>9,809,665</b>          |

Following an assessment performed during the year, \$nil fair value adjustment loss was recognised in relation to joint venture loans (31 December 2019: \$nil) and \$nil of other amounts receivable from Group's joint ventures were written-off (31 December 2019: \$nil), (refer Notes 9, 34(b) and 6).

### (h) Amounts owed to related parties

|   | 31 December<br>2020<br>\$ | 31 December<br>2019<br>\$ |
|---|---------------------------|---------------------------|
| Trade payables owing to related parties (refer Note 19) | 577,502                   | 466,407                   |
| Advances from joint ventures (refer Note 19)            | 8,159,898                 | 7,380,991                 |
| <b>Total amounts owed to related parties</b>            | <b>8,737,400</b>          | <b>7,847,398</b>          |

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

### (j) Terms and conditions

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<br/>2020</b> | <b>31 December<br/>2019</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<br/>2020</b> | <b>31 December<br/>2019</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<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|---|-------------------------------|-------------------------------|
| <b>Summarised statement of financial position of joint venture entities</b> |                               |                               |
| Current assets  | 58,282                        | 61,704                        |
| Non-current assets  | 27,453                        | 39,371                        |
| <b>Total assets</b>   | <b>85,735</b>                 | <b>101,075</b>                |
| Current liabilities   | 29,208                        | 45,181                        |
| Non-current liabilities   | 3,043                         | 8,404                         |
| <b>Total liabilities</b>  | <b>32,251</b>                 | <b>53,585</b>                 |
| <b>Net assets</b>   | <b>53,484</b>                 | <b>47,490</b>                 |
| <b>Group's share of net assets</b>  | <b>26,742</b>                 | <b>23,745</b>                 |

During the 2020 financial year, the Group received \$nil equity distributions (31 December 2019: \$0.1m received from Mode Apartments Unit Trust) and the Group provided cash funding of \$0.02m to Hamilton Harbour Unit Trust (31 December 2019: \$0.2m), refer consolidated statement of cash flows for cash flows to/from joint venture investments.

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

|   | 31 December<br>2020<br>\$'000 | 31 December<br>2019<br>\$'000 |
|---|-------------------------------|-------------------------------|
| <b>Summarised statement of comprehensive income of joint venture entities</b> |                               |                               |
| Revenue   | 51,802                        | 24,204                        |
| Expenses  | (45,854)                      | (20,580)                      |
| <b>Profit for the year</b>  | <b>5,948</b>                  | <b>3,624</b>                  |
| <b>Group's share of profit for the year</b>                                   | <b>2,974</b>                  | <b>1,812</b>                  |

- December 2020 joint venture revenue includes sale revenue from 193 residential allotments in the Stonehill development, Victoria (Townsville City Project Trust) and 162 residential allotments at the Newbridge, Wallan community, Victoria (Wallan Project Trust).
- December 2019 joint venture revenue includes sale revenue from 83 residential allotments in the Stonehill development, Victoria (Townsville City Project Trust), 4 residential apartments in the Mode Apartments complex (Mode Apartments Unit Trust), Brisbane and 95 residential allotments at the Newbridge, Wallan community, Victoria (Wallan Project Trust).
- Expenses include any impairments and adjustments to the carrying value of the assets of these joint venture entities.

## **30. CONTINGENCIES**

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

The Group had contingent liabilities at 31 December 2020 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 \$10.5m at 31 December 2020 (December 2019: \$13.2m) 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 \$3.4m at 31 December 2020 (31 December 2019: \$15.7m). This debt has been primarily secured against assets of the joint venture with a carrying value of \$12.1m at the reporting date (31 December 2019: \$29.4m) and a land asset with a carrying value of \$1.5m owned by Devine Land Pty Ltd at the reporting date (31 December 2019: \$6.2m). 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 for a debt which was fully repaid as at 31 December 2020 (31 December 2019: \$5.0m) which was primarily secured against assets of the joint venture with a carrying value of \$49.9m at the reporting date (31 December 2019: \$50.8m). The debt was repaid from the property sales of the joint venture. 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 defence of a claim or ultimately in settlement.

During a prior 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 retained lawyers and obtained advice. The Group is of the view that the claim has low prospects of success.

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

At 31 December 2020, the Group has claims outstanding against customers and third parties in relation to amounts to be recovered in respect of construction projects carried out by Devine Constructions. The existence of these assets is dependent upon the occurrence of uncertain future events not wholly within the control of the Group, and the Group does not consider it practicable to estimate the financial effect of these claims.

## **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.

### 31. SEGMENT INFORMATION (continued)

#### (b) Operating segments

| 12 months ended<br>31 December 2020                           | Communities    | Development  | Construction | Corporate      | Total<br>continuing<br>operations | Housing     | Consolidated<br>Total |
|---|----------------|--------------|--------------|----------------|-----------------------------------|-------------|-----------------------|
|   | \$'000         | \$'000       | \$'000       | \$'000         | \$'000                            | \$'000      | \$'000                |
| Revenue from contracts with customers                         | 35,988         | -            | -            | -              | 35,988                            | -           | 35,988                |
| Other revenue   | 8              | -            | 424          | -              | 432                               | -           | 432                   |
| <b>Total segment revenue</b>                                  | <b>35,996</b>  | <b>-</b>     | <b>424</b>   | <b>-</b>       | <b>36,420</b>                     | <b>-</b>    | <b>36,420</b>         |
| <b>Segment result before asset write-downs and provisions</b> | <b>(2,856)</b> | <b>(95)</b>  | <b>(322)</b> | <b>(2,930)</b> | <b>(6,203)</b>                    | <b>(87)</b> | <b>(6,290)</b>        |
| Asset write-downs*  | 1,406          | -            | -            | -              | 1,406                             | -           | 1,406                 |
| Legal & structural warranty provisions                        | -              | -            | 275          | -              | 275                               | 200         | 475                   |
| <b>Segment result</b>   | <b>(1,450)</b> | <b>(95)</b>  | <b>(47)</b>  | <b>(2,930)</b> | <b>(4,522)</b>                    | <b>113</b>  | <b>(4,409)</b>        |
| Loss before income tax  |                |              |              |                | (4,522)                           | 113         | (4,409)               |
| Income tax expense  |                |              |              |                | -                                 | -           | -                     |
| <b>Loss for the year</b>                                      |                |              |              |                | <b>(4,522)</b>                    | <b>113</b>  | <b>(4,409)</b>        |
| <b>As at 31 December 2020:</b>                                |                |              |              |                |                                   |             |                       |
| <b>Segment assets</b>   | <b>110,162</b> | <b>4,030</b> | <b>42</b>    | <b>4,522</b>   | <b>118,756</b>                    | <b>1</b>    | <b>118,757</b>        |
| <b>Segment liabilities **</b>                                 | <b>9,676</b>   | <b>2</b>     | <b>760</b>   | <b>38,812</b>  | <b>49,250</b>                     | <b>848</b>  | <b>50,098</b>         |
| <b>Other segment information</b>                              |                |              |              |                |                                   |             |                       |
| Investments in joint ventures                                 | 22,737         | 4,005        | -            | -              | 26,742                            | -           | 26,742                |
| Share of net profits / (losses) of joint ventures             | 3,049          | (75)         | -            | -              | 2,974                             | -           | 2,974                 |

\* Asset write-downs include impairments of inventory.

\*\* 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<br>31 December 2019                           | Communities     | Development  | Construction | Corporate      | Total<br>continuing<br>operations | Housing      | Consolidated<br>Total |
|---|-----------------|--------------|--------------|----------------|-----------------------------------|--------------|-----------------------|
|   | \$'000          | \$'000       | \$'000       | \$'000         | \$'000                            | \$'000       | \$'000                |
| Revenue from contracts with customers                         | 17,109          | 18           | 396          | -              | 17,523                            | -            | 17,523                |
| Other revenue   | 14              | 250          | 312          | -              | 576                               | -            | 576                   |
| <b>Total segment revenue</b>                                  | <b>17,123</b>   | <b>268</b>   | <b>708</b>   | <b>-</b>       | <b>18,099</b>                     | <b>-</b>     | <b>18,099</b>         |
| <b>Segment result before asset write-downs and provisions</b> | <b>(2,330)</b>  | <b>171</b>   | <b>(710)</b> | <b>(3,647)</b> | <b>(6,516)</b>                    | <b>(290)</b> | <b>(6,806)</b>        |
| Asset write-downs*  | (15,088)        | 250          | -            | -              | (14,838)                          | -            | (14,838)              |
| Onerous lease, legal & structural warranty provisions         | -               | -            | 970          | -              | 970                               | 200          | 1,170                 |
| <b>Segment result</b>   | <b>(17,418)</b> | <b>421</b>   | <b>260</b>   | <b>(3,647)</b> | <b>(20,384)</b>                   | <b>(90)</b>  | <b>(20,474)</b>       |
| Loss before income tax  |                 |              |              |                | (20,384)                          | (90)         | (20,474)              |
| Income tax expense  |                 |              |              |                | -                                 | -            | -                     |
| <b>Loss for the year</b>                                      |                 |              |              |                | <b>(20,384)</b>                   | <b>(90)</b>  | <b>(20,474)</b>       |
| <b>As at 31 December 2019:</b>                                |                 |              |              |                |                                   |              |                       |
| <b>Segment assets</b>   | <b>116,505</b>  | <b>4,081</b> | <b>38</b>    | <b>4,269</b>   | <b>124,893</b>                    | <b>1</b>     | <b>124,894</b>        |
| <b>Segment liabilities **</b>                                 | <b>9,493</b>    | <b>2</b>     | <b>1,007</b> | <b>40,348</b>  | <b>50,850</b>                     | <b>976</b>   | <b>51,826</b>         |
| <b>Other segment information</b>                              |                 |              |              |                |                                   |              |                       |
| Investments in joint ventures                                 | 19,688          | 4,057        | -            | -              | 23,745                            | -            | 23,745                |
| Share of net profits of joint ventures                        | 1,640           | 172          | -            | -              | 1,812                             | -            | 1,812                 |

\* Asset write-downs include impairments of inventory; and a reversal of an expected credit losses provision 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<br/>2020<br/>Cents</b> | 31 December<br>2019<br>Cents |
|---|---------------------------------------|------------------------------|
| Earnings/(loss) per share for continuing operations | <b>(2.9)</b>                          | (12.8)                       |
| Total basic and diluted earnings/(loss) per share   | <b>(2.8)</b>                          | (12.9)                       |

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

|   | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|---|--|-------------------------------|
| Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share |  |                               |
| Continuing operations earnings/(loss)   | <b>(4,522)</b>                         | (20,384)                      |
| Total earnings/(loss)   | <b>(4,409)</b>                         | (20,474)                      |

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

|   | <b>31 December<br/>2020<br/>Number</b> | 31 December<br>2019<br>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<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--|--|-------------------------------|
| <b>Franked dividends</b>   |  |                               |
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (December 2019 - 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 2020 and 31 December 2019, 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 31 March 2022.

|                             | <b>31 December 2020</b>    |                           | <b>31 December 2019</b>    |                           |
|-----------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|                             | <b>Interest rate<br/>%</b> | <b>Balance<br/>\$'000</b> | <b>Interest rate<br/>%</b> | <b>Balance<br/>\$'000</b> |
| Multi-Option Facility (MOF) | <b>1.16%</b>               | <b>36,685</b>             | 2.01%                      | 36,885                    |

At the reporting date, the twelve month cash flow impact of a 100 basis point change is estimated to be \$0.4m (December 2019: \$0.4m).

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<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--|--|-------------------------------|
| Opening balance  | -                                      | 250                           |
| Provision for impairment recognised during the year (refer Notes 5(a) and 6) | -                                      | -                             |
| Utilised   | -                                      | -                             |
| Unused amounts reversed  | -                                      | (250)                         |
| <b>Closing balance</b>   | <b>-</b>                               | <b>-</b>                      |

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

The aging of the Group's trade receivables and contract assets at the reporting date was: \$8,377k neither past due nor impaired (31 December 2019: \$9,233k); \$nil past due (31 December 2019: \$nil). Past due is defined under AASB 7 *Financial Instruments: Disclosures* to mean any amount outstanding for one or more days after the contractual due date.

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

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

During the period ended 31 December 2020, \$nil allowances for expected credit losses in respect of other receivables were provided for, utilised or reversed (31 December 2019: \$nil allowances provided for, utilised or reversed).

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

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

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

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

|                               | <b>31 December<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|-------------------------------|--|-------------------------------|
| Neither past due nor impaired | <b>10,351</b>                          | 12,779                        |
| Less than 30 days             | <b>12</b>                              | 1                             |
| 30 – 60 days                  | -                                      | -                             |
| 60 – 90 days                  | -                                      | -                             |
| More than 90 days             | <b>105</b>                             | -                             |
| <b>Closing balance</b>        | <b>10,468</b>                          | 12,780                        |

Following an assessment performed during the year, \$nil fair value adjustment loss was recognised in relation to joint venture loans (31 December 2019: \$nil) and \$nil of other amounts receivable from Group's joint ventures were written-off (31 December 2019: \$nil), refer Notes 9, 28(g) and 6).

#### **Financial guarantees**

Credit risk further arises in relation to the financial guarantees provided by the Group to joint ventures. Refer to Notes 14(b) and 30(a)(i) for details of the guarantees provided by the Group during the period.

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<br/>2020<br/>\$'000</b> | 31 December<br>2019<br>\$'000 |
|--------------|--|-------------------------------|
| AA-          | <b>1,332</b>                           | 836                           |
| <b>Total</b> | <b>1,332</b>                           | 836                           |

### **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 2020 the Group had undrawn MOF of \$14.4m (31 December 2019: \$11.7m) and undrawn insurance bond facilities of \$nil (31 December 2019: \$nil), 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, 20 and 21.

#### **Contractual maturities of financial liabilities as at 31 December 2020**

|   | Less than<br>6 months | Between<br>6 - 12 months | Between<br>1 and 5 years | Over<br>5 years | Total<br>contractual<br>cash<br>flows |
|---|-----------------------|--------------------------|--------------------------|-----------------|---------------------------------------|
| <b>At 31 December 2020</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                    | 10,757                | 45                       | -                        | -               | 10,802                                |
| Lease liabilities                           | 338                   | 16                       | 21                       | -               | 375                                   |
| Interest bearing loans                      | 244                   | 244                      | 36,808                   | -               | 37,296                                |
| <b>Total</b>                                | <b>11,339</b>         | <b>305</b>               | <b>36,829</b>            | <b>-</b>        | <b>48,473</b>                         |

#### **Contractual maturities of financial liabilities as at 31 December 2019**

|   | Less than<br>6 months | Between<br>6 - 12 months | Between<br>1 and 5 years | Over<br>5 years | Total<br>contractual<br>cash<br>flows |
|---|-----------------------|--------------------------|--------------------------|-----------------|---------------------------------------|
| <b>At 31 December 2019</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                    | 8,478                 | 1,863                    | 62                       | -               | 10,403                                |
| Lease liabilities                           | 791                   | 714                      | 321                      | -               | 1,826                                 |
| Interest bearing loans                      | 401                   | 401                      | 37,887                   | -               | 38,689                                |
| <b>Total</b>                                | <b>9,670</b>          | <b>2,978</b>             | <b>38,270</b>            | <b>-</b>        | <b>50,918</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 totaling \$3.4m (31 December 2019: \$20.7m) 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 2020 refer to Note 9. The carrying amounts of other financial assets and liabilities in the Group's balance sheet approximate fair values largely due to the short-term maturities of these instruments.

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

During the 2019 financial year, a \$55m Multi-Option Facility (MOF) expiring 31 March 2022 was made available to the Group by the senior lender guaranteed by the Group's majority shareholder. This was an extension by variation of the MOF which was previously made available to the Group in the 2018 financial year (previously a \$70m facility expiring 29 March 2020 which was guaranteed by the Group's majority shareholder).

The following financing facilities were available as at:

|                                       | <b>31 December 2020</b>   |                             | <b>31 December 2019</b>   |                             |
|---------------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| <b>Financing facilities</b>           | <b>Secured<br/>\$'000</b> | <b>Unsecured<br/>\$'000</b> | <b>Secured<br/>\$'000</b> | <b>Unsecured<br/>\$'000</b> |
| MOF                                   | -                         | 55,000                      | -                         | 55,000                      |
| Insurance bond facilities             | -                         | 6,575                       | -                         | 6,806                       |
| <b>Total facilities available</b>     | <b>-</b>                  | <b>61,575</b>               | <b>-</b>                  | <b>61,806</b>               |
| MOF - Interest bearing loans utilised | -                         | 36,685                      | -                         | 36,885                      |
| MOF- Guarantees utilised              | -                         | 3,909                       | -                         | 6,429                       |
| Insurance bond facilities utilised    | -                         | 6,575                       | -                         | 6,806                       |
| <b>Total facilities utilised</b>      | <b>-</b>                  | <b>47,169</b>               | <b>-</b>                  | <b>50,120</b>               |
| MOF                                   | -                         | 14,406                      | -                         | 11,686                      |
| Insurance bond facilities             | -                         | -                           | -                         | -                           |
| <b>Total facilities un-utilised</b>   | <b>-</b>                  | <b>14,406</b>               | <b>-</b>                  | <b>11,686</b>               |

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

Refer to Notes 11, 14(b) and 30 (a)(i) for details of assets pledged as security by the Group.

#### **(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 2020, financial assets and liabilities have not been offset (2019: no offset).

#### **(h) Hedging activities and derivatives**

During the period ended 31 December 2020 the Group has not undertaken any hedging activities (31 December 2019: nil hedging activities undertaken).

### 34. FINANCIAL RISK MANAGEMENT (continued)

#### (i) Changes in liabilities arising from financing activities

|  | 1 January 2020 | Cash flows     | New leases | Other*    | 31 December 2020 |
|--|----------------|----------------|------------|-----------|------------------|
|  | \$'000         | \$'000         | \$'000     | \$'000    | \$'000           |
| Current interest bearing loans                     | -              | -              | -          | -         | -                |
| Current lease liabilities                          | 1,440          | (1,471)        | 63         | 317       | 349              |
| Non-current interest bearing loans                 | 36,885         | (200)          | -          | -         | 36,685           |
| Non-current lease liabilities                      | 317            | -              | -          | (297)     | 20               |
| <b>Total liabilities from financing activities</b> | <b>38,642</b>  | <b>(1,671)</b> | <b>63</b>  | <b>20</b> | <b>37,054</b>    |

\* The 'Other' column includes the effect of reclassification of the non-current portion of interest-bearing loans, including lease liabilities, to current due to the passage of time, the effect of accrued interest on interest-bearing loans, including lease liabilities, and the effect of COVID-19 rent concessions on lease liabilities. The Group classifies interest paid as cash flows from operating activities.

### 35. DISCONTINUED OPERATIONS

|  | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|--|--|--|
| Revenue  | -  | -  |
| Expenses   | 113  | (90)                                       |
| Finance income   | -  | -  |
| Finance expense  | -  | -  |
| <b>Net finance expense</b>                                     | <b>-</b>                                   | <b>-</b>                                   |
| <b>Profit / (loss) before tax from discontinued operations</b> | <b>113</b>                                 | <b>(90)</b>                                |
| Income tax expense   | -  | -  |
| <b>Profit / (loss) after tax from discontinued operations</b>  | <b>113</b>                                 | <b>(90)</b>                                |

Refer Note 31 for details on discontinued operations

Net cash flow from discontinued operations:

|                                      | 12 months to<br>December<br>2020<br>\$'000 | 12 months to<br>December<br>2019<br>\$'000 |
|--------------------------------------|--|--|
| Cash flows from operating activities | (215)                                      | (382)                                      |
| Cash flows from investing activities | 215  | 382  |
| <b>Net cash (outflow)/inflow</b>     | <b>-</b>                                   | <b>-</b>                                   |

### 36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events which have occurred post 31 December 2020 up to the date of issuance of this report.

**Directors' Declaration  
for the year ended 31 December 2020**

In the Directors' opinion:

- (a) the Financial statements and notes of Devine Limited for the financial year ended 31 December 2020 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 2020 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  
25 February 2021

## 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 2020, 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 2020 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 (including Independence Standards)* (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 Notes 4, 11 and 29 to the financial statements.

| Why significant  | How our audit addressed the key audit matter   |
|--|--|
| <p>The recoverability of the land development portfolio is heavily influenced by fluctuations in the property market in Australia and other uncertain elements such as availability of finance for homeowners and investors.</p> <p>The Group reviewed its land holdings and development projects to ensure each individual land holding or development project was valued at the lower of cost and net realisable value (NRV) in accordance with Australian Accounting Standards. The Group recorded an NRV impairment of \$1.9 million in the 2020 year.</p> <p>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.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Compared the Group's current forecast assumptions to recent actual project performance (e.g. sales prices, sales rates and margins achieved) during the period.</li> <li>▶ Considered the impact of sales achieved subsequent to the assessment being made against the forecast and business plan.</li> <li>▶ Enquired of the Group to understand changes in key feasibility assumptions since the previous assessment was made and original feasibility based on current market conditions, and changes in strategy adopted in the revised feasibilities.</li> <li>▶ For estates and projects considered higher risk due to their location, expected duration of the project or lower margins forecast to be derived, we assessed the key assumptions in the feasibilities. We involved our real estate valuation specialists to evaluate for a sample of these projects the key assumptions such as pricing.</li> <li>▶ 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.</li> <li>▶ Assessed the adequacy of the related financial report disclosures.</li> </ul> |



## 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   | How our audit addressed the key audit matter   |
|---|--|
| <p>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 revenue to be recognised.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the Group's processes and controls related to the measurement and timing of revenue recognised.</li> <li>▶ For all significant revenue streams, we reviewed the Group's assessment of the application of the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> and conclusions reached, with respect to the fulfillment of performance obligations and the timing of revenue recognition.</li> <li>▶ 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.</li> <li>▶ Compared actual revenues recorded in the period against predicted revenues based on expected pricing and the actual number of lot settlements.</li> <li>▶ Assessed the adequacy of the related financial report disclosures.</li> </ul> |

### 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 Company's 2020 annual report, but does not include the financial report and our auditor's report thereon.

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, actions taken to eliminate threats or safeguards applied.

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

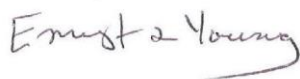
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Devine Limited for the year ended 31 December 2020, 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



Brad Tozer  
Partner  
Brisbane  
25 February 2021