



**Devine**  
GROUP

# 2016 ANNUAL REPORT

## **DIRECTORS**

D P Robinson - Chairman

G Sassine

S A Cooper

## **CHIEF EXECUTIVE OFFICER**

S A Cooper

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

J S L Mackay

## **PRINCIPAL REGISTERED OFFICE IN AUSTRALIA**

Level 2, KSD1, 485 Kingsford Smith Drive

Hamilton Queensland 4007

07 3608 6300

## **SHARE REGISTER**

Computershare Investor Services Pty Limited

117 Victoria Street

West End Queensland 4101

1300 787 474

## **AUDITOR**

Ernst & Young

Level 51, 111 Eagle Street

Brisbane Queensland 4000

## **SOLICITORS**

McCullough Robertson

Level 11, 66 Eagle Street

Brisbane Queensland 4000

King & Wood Mallesons

Level 61, Governor Phillip Tower

1 Farrer Place

Sydney New South Wales 2000

## **PRINCIPAL BANKERS**

Australia and New Zealand Banking Group Limited

Level 20, 111 Eagle Street

Brisbane Queensland 4000

## **SECURITIES EXCHANGE LISTINGS**

Devine Limited shares are listed on the Australian

Securities Exchange

(ASX Code: DVN)

## **WEBSITE**

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

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Devine Limited's Corporate Governance Statement is available on our website, in the section titled 'Investor Relations'.

([www.devinegroup.com.au/about/board-and-governance.aspx](http://www.devinegroup.com.au/about/board-and-governance.aspx))

### **ANNUAL GENERAL MEETING**

The annual general meeting of Devine Limited will be held at the offices of Devine Limited

Level 2, KSD1, 485 Kingsford Smith Drive, Hamilton, Brisbane

Time: 3.00pm

Date: Monday 17 May, 2017

# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REVIEW

As advised in last year's review, a Strategic Review of the Company's operations was commenced by the Devine Limited (Devine or the Company) Board and management during 2016.

Our aim was to strengthen Devine's balance sheet, provide the Company with a lean operating structure and stabilise the business.

In 2016 we made progress towards these aims as outlined below. The continuation of the Strategic Review aims to provide Devine with a platform to complete new and existing opportunities and preserve the value of the Company.

## FINANCIAL RESULTS FY 2016

Devine's 2016 financial result comprised a:

- > loss before tax from continuing operations of \$38.3 million;
- > profit before tax from discontinued operations of \$1.9 million; and
- > loss after tax from continuing and discontinued operations of \$37.9 million.

The main contributors to the result were; the performance of the Company's construction business, Devine Constructions; asset realisations; and the land development business.

- > **Devine Constructions** has now completed three of its four Queensland construction projects (Westmark at Milton; High Street at Toowong; and Vida at West End). We are currently undertaking a staged handover of the joint venture development of Mode located at Newstead.
- > **Asset realisations** achieved to date include the negotiation of the sale of the Townsville City Project to the Townsville Council, the sale of Eden's Crossing land development project, the sale of Tribune apartment project and JV interests in Woodforde and Pennyroyal. These realisations have assisted our cash flow and reduced debt.
- > The **land development business** has continued to return cash to the Company, even whilst experiencing weather-related delays. This return of cash has assisted with Devine's financial stability.

More broadly, through the Strategic Review, the Company's operations and overheads have been reviewed to achieve efficiencies and continue the savings that this generates.

We also improved and streamlined the business by ensuring our governance structures are efficient and our risk framework is strong.

## OPERATIONAL BUSINESS & STRATEGIC REVIEW

The primary steps taken by the Company in 2016 have been the generation of cash flow to reduce debt; the completion of existing construction projects; and the continuation of the land development business.

To support these objectives Devine:

- > Realised a number of assets following sale campaigns. This has reduced the debt of the Company and assisted with the necessary cash flow needs of the business. The decision to sell each asset was assessed on each occasion against the requirement to ensure the sustainability of the Company and preserve value for all shareholders.
- > Successfully concluded the re-engagement and maintenance of the capital and financing programme for the business. This has consisted of both the continuity of the ANZ Multi Option facility as well as specific financing for the individual projects. This has been critical for the business.
- > In relation to the Company's main funding arrangements, ANZ Banking Group has agreed to extend the facility and the date for testing of the relevant covenants to 31 March 2018 from 31 March 2017. A full year extension is a positive outcome, moving the Company away from the multiple extensions experienced during 2016.
- > Continued with its operational objectives which, as at the date of this review, included:
  - the completion of all contracted housing commitments and the subsequent closure of the housing construction business;
  - centralising the warranty and maintenance operations across Queensland, Victoria and South Australia; and
  - an increased focus on reviewing opportunities in the land development business to capitalise on the inherent strength of the Company.

## **BOARD AND MANAGEMENT**

Following the sad passing of Independent director, Peter Dransfield in January 2017, Andrew Cooper was appointed to the Board as an Executive Director. The Board would like to acknowledge the effort, wise counsel and time that was given by Peter to the Board. The Board now consists of David Robinson as Chairman, George Sassine and Andrew Cooper as Directors. James Mackay continues as Chief Financial Officer and Company Secretary.

## **OUTLOOK**

The Strategic Review will continue and has the full support of the Devine Board. With the completion of the Company's construction activities, we remain committed to achieving a sustainable operating platform from which to deliver our substantial pipeline of over 6,400 lots which will comprise future dwellings across our communities and apartments businesses.

The Company is currently progressing new joint venture relationships that will assist in leveraging required capital across the business.

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

We look forward to updating you further at the Company's Annual General Meeting on 17 May 2017.

Sincerely



**David Robinson**  
Chairman



**Andrew Cooper**  
CEO

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Company) consisting of Devine Limited and the entities it controlled at the end of, or during, the year ended 31 December 2016.

## DIRECTORS

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

D P Robinson  
(appointed Chairman 19 January 2016)

P J Dransfield  
(resigned as Chairman 19 January 2016 – deceased 5 January 2017)

G Sassine  
(appointed 18 January 2016)

A Howse  
(appointed alternate 18 January 2016 to G Sassine – resigned 29 April 2016)

J S Downes  
(resigned 18 January 2016)

J D Cummings  
(resigned 18 January 2016)

M C Gray  
(resigned 18 January 2016)

S A Cooper  
(appointed Executive Director January 2017)

## CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

S A Cooper was appointed CEO 19 January 2016

J S L Mackay was appointed CFO 18 February 2016

C G Bellamy resigned as CFO 18 February 2016. He was appointed acting CEO on 2 November 2015 and held the position of acting CEO until 19 January 2016

## COMPANY SECRETARY

J S L Mackay  
(appointed 18 February 2016)

Mr Jamie Mackay has more than 27 years' experience, across the financial and accounting spectrum, including senior positions in controlling, accounting, treasury and risk with CIMIC Group and its subsidiaries. Most recently Mr Mackay held the role of Manager Controlling Systems at CIMIC Group. Mr Mackay is a Chartered Accountant and holds a Bachelor of Commerce.

C G Bellamy  
(resigned 18 February 2016)

M M Randall  
(appointed 4 November 2015 – resigned 4 February 2016)

## INFORMATION ON DIRECTORS

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

**D P Robinson – Chairman**  
(appointed Chairman 19 January 2016)

### Experience and expertise

Mr David Robinson has been a Non-executive Director of CIMIC Group Limited (formerly Leighton Holdings Limited) since 1990 and a Director of Devine Limited since 27 May 2015. Mr Robinson is a registered company auditor and tax agent and a chartered accountant and a partner of the firm ESV Accounting and Business Advisers in Sydney. He acts as an adviser to local and overseas companies with interests in Australia. He is also a Trustee of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia. Mr Robinson was a Director of Leighton Properties 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 (appointed on 19 January 2016)

Member of the Audit Committee (appointed 18 January 2016)

### Interests in shares and options

Nil

**G Sassine – Director**

(appointed 18 January 2016)

**Experience and expertise**

Mr George Sassine has more than 29 years' experience in the property, construction and development industry, including successfully managing multiple commercial and residential projects. During this time he has held a variety of positions within the CIMIC Group, including General Manager Corporate Advisory, and he has taken a leadership position on key projects delivered by CPB Contractors (formerly Leighton Contractors). Mr Sassine has an honours degree in building from the University of NSW.

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

**Other current directorships (listed entities)**

None

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

None

**Special responsibilities**

None

**Interests in shares and options**

Nil

**S A Cooper – Executive Director**

(appointed 7 January 2017)

**Experience and expertise**

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

Mr Cooper has more than 33 years' experience in property development and construction. His previous roles include Leighton Properties' National Head of Operations and NSW State Manager. He has an honours degree in civil engineering from the University of NSW, together with qualifications in law and architecture from the University of Sydney, and is a graduate of the Australian Institute of Company Directors.

**Other current directorships (listed entities)**

None

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

None

**Special responsibilities**

None

**Interests in shares and options**

Nil

**P J Dransfield - Director**

(resigned as Chairman 19 January 2016 – deceased 5 January 2017)

**Experience and expertise**

Mr Peter Dransfield was an Independent Non-executive Director since April 2010. Mr Dransfield had held senior executive positions with Australand and Walker Corporation and was a Director of the Multiplex Group and Director of Housing for the NSW Government. Mr Dransfield was also an adviser to Pepper Property and Chairman of several Urban Growth NSW joint ventures.

**Other current directorships (listed entities)**

None

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

Australian Industrial REIT (resigned December 2015)

**Special responsibilities**

Chairman of the Board – Mr Dransfield resigned as Chairman of the Board on 19 January 2016 and ceased being a member of the Board on 5 January 2017

Chairman of the Audit Committee (appointed 19 January 2016 – deceased 5 January 2017)

**Interests in shares and options**

Nil

# DIRECTORS' REPORT

CONTINUED

## FORMER DIRECTORS

During the 2016 financial year the following people ceased to hold office as Directors of the Company. For detailed information on these Directors refer to the 2015 Annual Report for the Group available on the Company's website [www.devine.com.au](http://www.devine.com.au).

Name	Period of Directorship during current financial year
J S Downes	1 January 2016 to 18 January 2016
J D Cummings	1 January 2016 to 18 January 2016
M C Gray	1 January 2016 to 18 January 2016
A Howse – alternate Director to G Sassine	18 January 2016 to 29 April 2016

## 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	
			Audit	
	A	B	A	B
D P Robinson	10	13	4	4
P J Dransfield	12	13	4	4
G Sassine	12	13	**	**
J S Downes	1	1	***	***
J D Cummings	1	1	***	***
M C Gray	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

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



## PRINCIPAL ACTIVITIES

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

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

For the December 2015 statutory accounts the Group reported the closure of the detached housing business as discontinued and the continuing medium density and wholesale housing business as part of the Communities segment.

Effective June 2016 the Group decided to wind down the medium density and wholesale housing business. These businesses have been wound down progressively over the 6 months to December 2016 and will be completed by June 2017.

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

## DIVIDENDS

There were no dividends declared or paid to members during the 31 December 2016 financial year.

## OPERATING AND FINANCIAL REVIEW

### 1 About Devine Limited

The Group was first established in 1983 and today, the Company is one of the most recognised brands in the Australian residential property sector, proudly standing by its record for quality and value.

The Group's property experience extends across community development and creation, house, apartment and mixed use projects. In addition, the Company had included a dedicated housing construction business.

With operations established throughout Queensland, Victoria and South Australia the Company has been responsible for providing homes and apartments for more than 26,800 Australian families since listing on the Australian Securities Exchange in 1993.

As a leader in the Australian property development industry, the Company is committed to providing quality residential developments that people can be proud of.

As at 31 December 2016, the Group's residential development pipeline included the equivalent of approximately 6,400 future dwellings.

### 2 Strategy and new opportunities

As noted in the FY2015 Directors' Report, Devine Limited and CIMIC Group Limited, conducted a strategic review of the Group's businesses following the conclusion of the CIMIC Group Limited takeover bid in November 2015.

The strategic review continued through 2016 focusing on debt repayment through the sale of relevant assets, overheads review, expedition of all of the Group's construction projects with new project management teams and stabilisation of the corporate platform. The on-going review has resulted in a Company that is now better placed to continue with its property development objectives into the future.

### 3 Company strategic review update

Following on from the FY2015 result, and as noted above, the ongoing strategic review of the business is being carried out to ascertain the optimum direction for the Company, to preserve shareholder value and maintain business liquidity. This has resulted in the sale of the following sites, together with the continuation of existing development projects:

- > Southbank, Townsville, Queensland
- > Eden's Crossing, Redbank Plains, Queensland
- > 50% interest in the Kurunjang Joint Venture, Melton, Victoria
- > 50% interest in the Woodforde Joint Venture, Adelaide; and
- > Tribune Street Site, South Brisbane.

The housing business was discontinued in its entirety and the Company has all but completed the remaining construction of residences in Queensland, South Australia and Victoria. The maintenance obligations for the housing construction will continue in line with statutory requirements.

The focus for the Company looking forward is to continue its stabilisation programme, complete its current residential apartment construction obligations, repay debt, continue with the development of its existing land subdivision projects and secure new sites for development.

### 4 Financial results

The following is a summary of the results that were recorded for the financial year ended 31 December 2016:

- > Total revenue (including interest and other revenue) from continuing operations of \$194.2m (compared to \$190.2m for December 2015)
- > Loss from continuing operations before tax of \$38.3m (compared to a loss of \$33.1m for December 2015)
- > Gain from discontinued operations before tax of \$1.8m (compared to a loss of \$0.8m for December 2015)
- > Total loss before tax \$36.5m (compared to a loss of \$33.9m)
- > As a result of the capital recycling plan debt levels have reduced in 2016 by \$32.2m (2015: \$25.5m). Gearing levels have reduced to 6.2% (9.6% for December 2015) (net debt/total assets less cash)
- > No dividend has been declared during the 12 month period to December 2016

# DIRECTORS' REPORT

## CONTINUED

### 4 Financial results (continued)

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
Revenue from continuing operations	192,173	187,424
Revenue from discontinued operations	33,264	82,054
	<b>225,437</b>	269,478
Loss before tax from continuing operations	<b>(38,344)</b>	(33,089)
Profit/(loss) before tax from discontinued operations	<b>1,883</b>	(794)
	<b>(36,461)</b>	(33,883)
Gearing	6.2%	9.6%
Net tangible assets - \$ per share	\$1.08	\$1.32
EPS - cents per share - continuing operations	(24.7)c	(22.3)c
EPS - cents per share	(23.9)c	(22.7)c

\* Impairments of \$3.5m are included in the 2016 loss before tax (compared to nil for December 2015)

#### Comments on operations and operating highlights

The following key trading statistics were achieved in the financial year ended 31 December 2016:

- > Residential land sales: 453 (excluding wholesale project disposals)
- > Residential land settlements: 461 (excluding wholesale project disposals)
- > Housing starts: 60
- > Apartment sales: 14

As evidenced by guidance provided by the Company earlier in the year, 2016 results have been severely impacted as a result of trades' procurement in an over-heated residential construction market, and the volatile industrial relations environment of SE Queensland. In addition, major weather events in both Victoria and South Australia caused substantial production delays within the land development business again resulting in additional costs and, critically, settlements being deferred from FY2016 into FY2017. The resultant effect on the FY2016 earnings has accordingly been extremely disappointing however the closure of the housing business and the imminent completion of its residential construction projects will significantly de-risk the Company in its future operations.

Key operating highlights for the period include:

- > Sale and settlement of the Company's interest in the Southbank Townsville development site; which is to be the home to that city's new football stadium.
- > Sale and settlement of the Tribune Street apartment development site following the attainment of planning approval for a 156 apartment tower on the site.
- > Settlement of the final units in the DoubleOne3 Apartments complex in Brisbane.
- > Settlement of the final allotments at the 569 allotment Parks Edge residential community in Victoria.
- > Completed sale and settlement of the final allotments within the Lakeside community development in Adelaide's northern corridor.
- > Settlement of a 2.1 hectare retail development site at the Stonehill Community in Victoria; a milestone in the development of the community and a positive catalyst to improved trading performance in the future.
- > Englobo sale and settlement of the Company's 900 allotment Eden's Crossing community development project; returning more than \$30 million to the business in order to reduce debt and fund continuing operations.

- > Sale of the Company's joint venture interest in the Pennyroyal estate in Victoria (Kurunjang JV) and Woodforde Community in South Australia (Woodforde JV) to the respective projects' joint venture partners.

Following the decision to cease operating in the medium density home building market, the Company has completed more than 90% of its medium density construction workbook and successfully negotiated the sale of a number of its undeveloped medium density land holdings.

Devine Constructions Pty Ltd completed its external client workbook; including Westmark Milton for Walker Corporation; High Street Apartments for Serra Property Group and Vida Apartments for Pointcorp Developments, handing over more than 550 apartments to its development clients.

In addition, there was continued construction of Mode apartments; a joint project with Daikyo Australia. The 157 apartment project reached 'topping out' with first settlements planned for the first half 2017.

## 5 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 2016, the Group incurred a net loss after tax of \$38m (2015: net loss of \$36m) and generated net cash flows from operating activities of \$11m (2015: \$22m). As at 31 December 2016, the Group had net assets of \$175m (2015: \$213m) and current liabilities (including the Senior ANZ Bank Multi Option Facility (ANZ MOF) balance) exceeded current assets by \$1.9m (2015: \$0.9m).

As at 31 December 2016 the Group had drawn debt of \$22m (including bank guarantees) under the ANZ MOF, which has been classified as a current liability due to its maturity being 31 March 2017. Testing of financial covenants of the ANZ MOF Agreement has been deferred until 31 March 2017. The current \$22m net exposure of the Group to ANZ in relation to the ANZ MOF is secured by assets valued in excess of the debt amount. The Directors note that, based on internal projections, they do not expect the Group to be compliant with the covenants of the ANZ MOF Agreement as at the 31 March 2017 covenant compliance testing date. Under the terms of the ANZ MOF Agreement, a breach of a financial covenant entitles ANZ to request repayment of the facility on demand. In such an event, the Group currently does not have the immediate capacity to repay the facility in full nor does it currently have readily available alternate sources of liquidity. As a result, currently there is uncertainty in regard to whether 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.

In preparing the financial statements on a going concern basis, the Directors have had regard to the continuing

strategic review of the Company's business and the Group's ongoing discussions with the ANZ Bank regarding refinance of the ANZ MOF. The Directors note that the ANZ Bank has continued to work closely with Devine Limited and its major shareholder, CIMIC Group Ltd, and has previously agreed to deferrals of the covenant testing date which it has recently extended to 31 March 2017. On the basis of the discussions with ANZ Bank, the strategic review jointly conducted with the Company's major shareholder and the continued focus on cash and liquidity by management, the Directors consider that the Group is not in a position which would require adjustment to the recoverability and classification of recorded assets and liabilities and the use of the going concern basis is appropriate.

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.

## 6 Market conditions

Despite the strong performance in selected markets, 2016 is expected to record a fall in national dwelling approvals following the record number of approvals reported in 2015. At the same time 2016 has recorded a strong lift in building commencements as delivery of the 2015 approvals commenced. With reference to price growth the Australian property market was decidedly two-speed with some capital cities, particularly Sydney and Melbourne, continuing to perform strongly and others, such as Perth, weakening. Brisbane and Adelaide recorded more sustainable growth trends with values up 4 to 5% over the year. Price growth has continued to hinder the First Home Buyer segment and impact home loan affordability despite the low interest rate environment. At the September 2016 quarter First Home Buyer financial commitments accounted for only 13.1% of the owner-occupier market.

Consumer confidence indices ended the year in pessimistic territory, however averaged a marginal optimistic outlook throughout most of the year. While there remains some apprehension on job security, the year continued to record a shift toward a more favorable outlook on labour markets as was seen across 2015.

### Queensland:

While parts of the Queensland market continue to perform well and record strong price growth, it remains a mixed story across varying segments of the market. As expected, following unprecedented activity a slowdown in multi-unit approvals is taking effect with both the Brisbane and Gold Coast markets recording sharp declines in late 2016. However, detached home building across these markets continues to improve. It is expected that apartment prices will fall in Brisbane as a result of the delivery and oversupply of new apartment product in the market, while more generally the Queensland housing market will continue with sustainable price growth. However, regional markets with a prior dependence on the mining or resource sectors remained suppressed at or near the bottom of the cycle.

### Victoria:

Of the markets where the Group has a presence Victoria has again performed strongly. The Victorian market has almost maintained the very strong activity levels it recorded across 2015 with dwelling approvals at more than 60,000 for the year to November 2016. The state continues to be reported as the fastest growing economy in the country, while also outperforming all other states in population growth with the rate of 2.1% reported for the 2015/16 year.

# DIRECTORS' REPORT

## CONTINUED

### 6 Market conditions (continued)

#### South Australia:

The new home market remained flat throughout 2016 with dwelling approvals reportedly at comparatively historical low levels. Job security and unemployment levels have continued to hinder the South Australian economy with the closure of significant manufacturing operations and limited mining activity still unresolved. The positive impacts of defence spending to the state are not expected to be felt for a number of years. While rental yields still remain strong, and new home affordability is a positive, there has only been limited residential investment purchases from interstate, mainly within select regions close to the CBD where the new supply of dwellings has increased.

### 7 Risk management

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

#### Key risks

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

#### Trading and Operations Risks

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

#### Construction Risks

Completion of projects involves a number of typical construction risks, including the failure to obtain necessary approvals, liquidated damages, potential litigation and disputes over contractual matters and from third parties, employee or equivalent shortages, higher than budgeted construction costs, the ability of customers to pay, insolvency events and project delays which may impact the commerciality and economics of the project.

#### Strategic and Market Risks

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

#### Funding and Liquidity Risks

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

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

The Group has a policy of ensuring the appropriate matching of maturity profiles of its assets and liabilities exists. Currently discussions to refinance the senior debt facility are occurring and the Group continues to work positively with its financier to renegotiate the senior debt facility. (Refer to section 5 'Going Concern' for further information.)

#### Other Risks

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

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

## 8 Outlook

Pending the outcome of the on-going strategic review the Company remains focused on its core business.

### EARNINGS PER SHARE

	12 months to December 2016 Cents	12 months to December 2015 Cents
<b>Basic and diluted earnings /(loss) per share</b>		
Total basic and diluted, for the year attributable to ordinary equity holders of the Company	(23.9)	(22.7)

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

There have been no significant events which have occurred post 31 December 2016.

### ENVIRONMENTAL REGULATION

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

### WORKPLACE HEALTH AND SAFETY

The nature of the industry in which the Group operates means there is a risk of incidents and injuries occurring on our developments. The Company's WHS Management System places obligations on all employees to help minimise the number of incidents and injuries that occur on our developments. The Health and Safety Managers and through them our Development Managers, Project Managers and Site Managers conduct regular training sessions, site inspections and audits to ensure our contractors, consultants and suppliers are complying with the Company's WHS policies and procedures. The Directors understand their responsibilities under the WHS (OHS in Victoria) Legislation and comply with a strict WHS Due Diligence Framework. The Senior Executive Team, receive monthly WHS reports outlining both lead (positive safety outcomes) and lag (incidents and injuries) indicators for the Company. In the financial year ending 31 December 2016 there were 13 notifiable incidents across the Group (December 2015: 23).

#### **Notification under Workplace Gender Equality Act 2012**

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Devine Limited on 31 May 2016 lodged its annual public report with the Workplace Gender Equality Agency (WGEA).

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

### LOANS TO DIRECTORS AND EXECUTIVES

No loans were secured or made to Directors and executives during the financial year ended 31 December 2016 (December 2015: Nil).

### INSURANCE OF OFFICERS

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

# DIRECTORS' REPORT

## CONTINUED

### INDEMNIFICATION OF AUDITORS

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

### NON-AUDIT SERVICES

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

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

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

	Consolidated	
	12 months to December 2016 \$	12 months to December 2015 \$
<b>Ernst &amp; Young</b>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	252,721	340,800
Other assurance and technical accounting services	-	30,738
Other services*	-	8,026
Tax compliance and advisory services	32,345	55,176
<b>Total auditors' remuneration</b>	<b>285,066</b>	<b>434,740</b>

\* December 2015 costs relate to the due diligence costs incurred in connection with CIMIC Group Limited's takeover process of Devine Limited.

## REMUNERATION REPORT (AUDITED)

This remuneration report for the financial year ended 31 December 2016 outlines the remuneration arrangements for the Group and this has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report is presented under the following sections:

- > Introduction;
- > Remuneration governance;
- > Remuneration arrangements;
- > Executive remuneration outcomes for the 2016 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 senior executives of the Group.

### Directors disclosed in this report

Name	Position
<b>Non-executive and executive Directors</b>	
D P Robinson	Non-executive Director (appointed Chairman 19 January 2016)
P J Dransfield	Non-executive Director (resigned as Chairman 19 January 2016 – deceased 5 January 2017)
G Sassine	Non-executive Director (appointed 18 January 2016)
A Howse	Non-executive Alternate Director (appointed 18 January 2016 – resigned 29 April 2016)
J S Downes	Non-executive Director (resigned 18 January 2016)
J D Cummings	Non-executive Director (resigned 18 January 2016)
M C Gray	Non-executive Director (resigned 18 January 2016)

### KMP disclosed in this report

Name	Position
<b>Other KMP</b>	
S A Cooper	Chief Executive Officer (appointed 19 January 2016 and appointed Executive Director 7 January 2017)
J S L Mackay	Chief Financial Officer and Company Secretary (appointed 18 February 2016)
C G Bellamy	Chief Financial Officer and Company Secretary (appointed Acting CEO 2 November 2015 until 18 January 2016, resigned 18 February 2016)
C C Mana	General Manager: Development (resigned 28 January 2016)

The following executives were KMP for part of the financial year.

Name	Position
<b>Other KMP (From 1 January to 1 March 2016)</b>	
A S Brimblecombe	General Manager: Communities
T R Conway*	General Manager: Apartments and Development
W Rowe**	General Manager: Construction

\* Mr Conway was appointed 24 November 2015 in an acting role and ceased being in an acting role on 10 February 2016.

\*\* Mr Rowe was appointed 30 November 2015 in an acting role and ceased being in an acting role on 10 February 2016.

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 2 Remuneration governance

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

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

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

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

#### Use of remuneration consultants

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

No remuneration consultants were engaged in the financial year.

### 3 Remuneration arrangements

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

#### Non-executive Director remuneration

##### Objective

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

##### Structure

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

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

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

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

#### Executive remuneration

##### Objective

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

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

##### Structure

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

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



## 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 remuneration component and the “at risk” variable components to the overall total remuneration available based on 100% achievement.

Position	Percentage of Total Remuneration		
	Fixed Remuneration	At Risk Variable Components	
		Target Base STI	LTI Grant Value
CEO (appointed 19 January 2016)	67%	33% 50% of fixed remuneration	Nil
CFO & Company Secretary (appointed 18 February 2016)	74%	26% 35% of fixed remuneration	Nil
CFO & Company Secretary (resigned 18 February 2016)	57%	23% 40% of fixed remuneration	20% 35% of fixed remuneration
GM: Communities GM: Development (resigned 28 January 2016)	57%	23% 40% of fixed remuneration	20% 35% of fixed remuneration
GM: Apartments and Development (appointed 24 November 2015)	100%	Nil	Nil
GM: Construction (appointed 30 November 2015)	100%	Nil	Nil

Remuneration consists of fixed and variable remuneration elements in the form of short term and long term incentives. The amount of fixed and variable remuneration is established for each executive by the Board using the principles outlined below.

### Fixed Remuneration

#### Objective

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

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

#### Structure

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

In the past certain executives were provided with a benefit in the form of a retention bonus. This scheme ceased on 1 July 2012 with no further grants made since this date. If applicable the executive becomes entitled to the retention bonus progressively from the third anniversary of entering into the retention arrangement. Details of the specific retention arrangements previously awarded to KMP are included at section 5 of this report under Service Agreements.

### Variable Remuneration - Short Term Incentive (STI)

#### Objective

The key objective of the STI program is to link the achievement of the Company’s financial targets with the remuneration received by the executive charged with meeting those targets. Other objectives of the STI are to motivate executives to outperform the base financial targets that are set each year and to also achieve certain personal goals that relate to the Company’s core values and strategic objectives.

#### Structure

The total STI is set at a base level so as to remunerate executives for achieving the financial targets and specific objectives. The aggregate of the annual STI payments available to executives across the Company is subject to the approval of the Board. Entitlements historically have been paid by way of a cash bonus.

The structure of the STI program will be reviewed in the coming year. The Board has the discretionary ability to withhold all or part of any deferred portion in certain circumstances.

# DIRECTORS' REPORT

## CONTINUED

### REMUNERATION REPORT (AUDITED) (CONTINUED)

In brief, the existing STI program operates as follows:

- > Payment of the STI reward is dependent upon final approval by the Board.
- > Each participant has the potential to be paid a "base bonus" amount, being a percentage of the executive's Fixed remuneration, for the achievement of the budgeted financial targets and the agreed personal goals, as follows:
  - (i) CEO – 50% of fixed remuneration
  - (ii) CFO & Company Secretary – 35% of fixed remuneration
  - (iii) General Managers of Communities and Development operational business units – 40% of fixed remuneration; and
  - (iv) Previous CFO & Company Secretary – 40% of fixed remuneration

For the CEO and CFO who currently hold office the STI program is dependent upon the Group achieving the budgeted profit before tax (PBT) for the financial year. A maximum of 50% and 35% respectively, of their fixed remuneration is payable upon achieving the budgeted PBT.

The following applies to (iii) and (iv) above:

- > Each participant's "base bonus" is then divided between financial goals (75%) and personal (non-financial) goals (25%) relevant to the specific position.
- > Financial goals are the target Group and business unit's PBT and the target Group and business unit's return on sales (ROS) with the weighting generally being 75% to the PBT and 25% to the ROS measure.

- > Personal goals are defined in the participant's individual performance management plan and reference the Company's core values and strategic objectives which are underpinned by the three pillars of "refine, innovate and grow".
- > Entitlement to an STI is dependent firstly upon the Group achieving at least 90% of the budgeted PBT and ROS for the financial year. Seventy percent of the "base bonus" is payable at 90% achievement of PBT and ROS and increases on a sliding scale to 100% of "base bonus" on achievement of the budget outcome to a maximum of 190% of "base bonus" on achievement of 140% of budgeted PBT and ROS.
- > Generally no STI payment is made if the Group does not achieve at least 90% of budgeted PBT. A discretionary bonus may be awarded by the Board and paid for exceptional performance.

The following table illustrates how the above components are applied to (iii) and (iv) above.

KMP	Target STI as a percentage of Fixed Remuneration	For all KMPs, the Devine Group achieves at least 90% budgeted profit:				Personal Goals (values & strategic objectives)	Total
		Devine Group financial component (PBT & ROS)		Business Unit financial component (PBT & ROS)			
		PBT	ROS	PBT	ROS		
CFO & Company Secretary (resigned 18 February 2016)	40%	50%	25%	-	-	25%	100%
GM: Communities GM: Development (resigned 28 January 2016)	40%	18.75%	6.25%	37.5%	12.5%	25%	100%

## Variable Remuneration – Long Term Incentive (LTI)

### Objective

The objective of the LTI is to align the interests of the executives with those of the Company's shareholders by rewarding executives when the financial performance of the Company generates improved returns for shareholders.

### Structure

The Long Term Incentive (LTI) plan is offered to executives by way of an allocation of performance rights. This LTI plan was approved by shareholders in November 2013. The previous Executive share option scheme has now ceased to operate and the options on hand at 31 December 2015 have expired.

### LTI Plan

LTI awards made under the plan are delivered in the form of performance rights, 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. The performance rights vest at the end of a three year period with no opportunity to retest and participants are specifically prohibited from hedging the exposure to the Company's share price in respect of their unvested performance rights.

During the 2016 financial year there were no LTIs awarded to KMP (December 2015: 127,873 issued).

### Performance measures to determine vesting

The Plan Rules allow the Board to determine the vesting conditions attaching to the Performance Rights prior to an invitation being made to an executive to participate in the Long Term Incentive Plan. The performance measure determined will be assessed over a three year vesting period with no retesting. The measures used to determine vesting is a combination of relative total shareholder return (TSR) and growth in earnings per share (EPS). TSR performance is monitored by an independent external advisor and the Board has the discretion to determine the target against which the EPS compound annual growth rate will be measured.

### Termination and change of control provisions

In general, where an executive resigns or is terminated for cause prior to their award vesting, the LTI awards will be forfeited. Where an executive leaves due to redundancy, the Board may at its absolute discretion allow some or all of the unvested performance rights to vest. In January 2014 the plan was amended to allow for the Board to have discretion on the vesting of performance rights in the case of a change of control. However, for the performance rights already granted in September 2013 the above plan rules do not apply and these will be automatically exercised in the case of a change of control event.

### Executive share option scheme

The former Managing Director and CEO held the remaining options on issue which expired in November 2016.

## 4 Executive and non-executive remuneration outcome for the 2016 financial year

### STI for the 2016 financial year

For the 2016 financial year, no STI will be payable due to the Group not achieving at least 90% of budgeted PBT. For the 2015 financial year no STI was paid. The aggregate of the amount that would have been payable in relation to the STI for the KMP had 100% of the potential bonus been paid would have been \$653,783 (December 2015: \$2,233,070).

Name	STI earned -% of maximum Dec 2016	STI earned -% of maximum Dec 2015
<b>Senior Executives</b>		
S A Cooper	0%	n/a
J S L Mackay	0%	n/a
C G Bellamy	0%	0%
A S Brimblecombe	0%	0%
C C Mana*	0%	0%

\* A discretionary bonus of \$50,000 was paid in relation to the 2015 financial year.

### LTI for the 2016 financial year

As determined by the Board for the 2016 financial year, no performance rights were granted to KMP of the Group.

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Details of remuneration

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

Period #	Short-term benefits				Post employment	Sub - total	Long-term benefits		Share based	Termination Payments	Total	
	Salary & fees	STI Bonus	Non-monetary benefits	Committee & other fees	Super-annuation		Long service leave <sup>*</sup>	Retention bonus <sup>*</sup>	Performance Rights fair value <sup>^</sup>			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Executive Director</b>												
<b>D B Keir</b> <sup>(1)</sup>	<b>Dec-16</b>	-	-	-	-	-	-	-	-	-	-	
(resigned 2 Nov 2015)	Dec-15	687,403	-	-	-	19,046	706,449	-	504,000	-	670,508	1,880,957
<b>Non-executive Directors</b>												
<b>D P Robinson</b>	<b>Dec-16</b>	<b>95,890</b>	-	-	-	<b>9,110</b>	<b>105,000</b>	-	-	-	-	<b>105,000</b>
	Dec-15	57,042	-	-	-	5,419	62,461	-	-	-	-	62,461
<b>P J Dransfield</b>	<b>Dec-16</b>	<b>101,217</b>	-	-	-	<b>9,616</b>	<b>110,833</b>	-	-	-	-	<b>110,833</b>
(deceased 5 Jan 2017)	Dec-15	159,817	-	-	25,000	15,183	200,000	-	-	-	-	200,000
<b>G Sassine</b> <sup>(2)</sup>	<b>Dec-16</b>	<b>91,452</b>	-	-	-	-	<b>91,452</b>	-	-	-	-	<b>91,452</b>
(appointed 18 Jan 2016)	Dec-15	-	-	-	-	-	-	-	-	-	-	-
<b>J S Downes</b>	<b>Dec-16</b>	<b>4,426</b>	-	-	-	<b>759</b>	<b>5,185</b>	-	-	-	-	<b>5,185</b>
(resigned 18 Jan 2016)	Dec-15	118,721	-	-	3,250	11,279	133,250	-	-	-	-	133,250
<b>J D Cummings</b>	<b>Dec-16</b>	<b>4,426</b>	-	-	-	<b>759</b>	<b>5,185</b>	-	-	-	-	<b>5,185</b>
(resigned 18 Jan 2016)	Dec-15	95,890	-	-	-	9,110	105,000	-	-	-	-	105,000
<b>M C Gray</b>	<b>Dec-16</b>	<b>4,426</b>	-	-	-	<b>759</b>	<b>5,185</b>	-	-	-	-	<b>5,185</b>
(resigned 18 Jan 2016)	Dec-15	57,042	-	-	-	5,419	62,461	-	-	-	-	62,461
<b>Hon. T M Mackenroth</b>	<b>Dec-16</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 27 Oct 2015)	Dec-15	79,908	-	-	-	7,591	87,499	-	-	-	-	87,499
<b>G E McOrist</b>	<b>Dec-16</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 27 May 2015)	Dec-15	39,954	-	-	5,558	3,796	49,308	-	-	-	-	49,308
<b>I Frost</b>	<b>Dec-16</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 30 Apr 2015)	Dec-15	31,963	-	-	-	3,037	35,000	-	-	-	-	35,000
<b>Other KMP</b>												
<b>S A Cooper</b>	<b>Dec-16</b>	<b>429,379</b>	-	-	<b>46,632</b>	<b>19,269</b>	<b>495,280</b>	-	-	-	-	<b>495,280</b>
(appointed 19 Jan 2016)	Dec-15	-	-	-	-	-	-	-	-	-	-	-
<b>J S L Mackay</b>	<b>Dec-16</b>	<b>276,147</b>	-	-	<b>10,829</b>	<b>17,880</b>	<b>304,856</b>	-	-	-	-	<b>304,856</b>
(appointed 18 Feb 2016)	Dec-15	-	-	-	-	-	-	-	-	-	-	-
<b>A S Brimblecombe</b>	<b>Dec-16</b>	<b>63,282</b>	-	-	-	<b>3,218</b>	<b>66,500</b>	-	-	<b>5,489</b>	-	<b>71,989</b>
	Dec-15	379,954	-	-	-	19,046	399,000	-	95,760	32,134	-	526,894
<b>T R Conway</b>	<b>Dec-16</b>	<b>55,115</b>	-	-	-	<b>3,218</b>	<b>58,333</b>	-	-	-	-	<b>58,333</b>
(appointed 24 Nov 2015)	Dec-15	33,917	-	-	-	1,980	35,897	-	-	-	-	35,897
<b>W Rowe</b>	<b>Dec-16</b>	<b>46,782</b>	-	-	-	<b>3,218</b>	<b>50,000</b>	-	-	-	-	<b>50,000</b>
(appointed 30 Nov 2015)	Dec-15	23,737	-	-	-	1,790	25,527	-	-	-	-	25,527
<b>C G Bellamy</b> <sup>(3)</sup>	<b>Dec-16</b>	<b>161,570</b>	-	-	-	<b>9,654</b>	<b>171,224</b>	-	-	<b>(4,251)</b>	<b>45,190</b>	<b>212,163</b>
(resigned 18 Feb 2016)	Dec-15	422,621	-	-	-	19,046	441,667	-	-	4,251	-	445,918
<b>C C Mana</b> <sup>(4)</sup>	<b>Dec-16</b>	<b>3,896</b>	-	-	-	<b>4,827</b>	<b>8,723</b>	-	-	<b>(63,885)</b>	<b>56,004</b>	<b>842</b>
(resigned 28 Jan 2016)	Dec-15	358,954	50,000	-	-	19,046	428,000	-	-	30,443	-	458,443
<b>S G Norris</b> <sup>(5)</sup>	<b>Dec-16</b>	-	-	-	-	-	-	-	-	-	-	-
(redundant 21 May 2015)	Dec-15	127,467	-	-	-	9,392	136,859	-	-	-	136,109	272,968
<b>M Tucker</b> <sup>(6)</sup>	<b>Dec-16</b>	-	-	-	-	-	-	-	-	-	-	-
(resigned 30 Nov 2015)	Dec-15	266,730	-	-	-	19,046	285,776	-	-	-	60,303	346,079

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

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

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

- (1) Included in D B Keir's termination payment is unpaid annual leave entitlements at the time of resignation, and a notice period payment.
- (2) G Sassine's Directors fees are paid to CIMIC Group Limited.
- (3) Included in C G Bellamy's termination payment is unpaid annual leave entitlements at the time of resignation. Expenses of \$4,251 were reversed during the 2016 period in relation to the performance rights that had not vested at the date of his resignation.
- (4) Included in C C Mana's termination payment is unpaid annual leave entitlements at the time of resignation. Expenses of \$63,885 were reversed during the 2016 period in relation to the performance rights that had not vested at the date of his resignation.
- (5) Included in S G Norris's termination payment is unpaid annual leave entitlements at the time of termination, a redundancy and notice period payment.
- (6) Included in M Tucker's termination payment is unpaid annual leave entitlements at the time of resignation and a notice period payment.

### Details of remuneration (continued)

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	December 2016 \$	2016 %	December 2016 \$	2016 %	December 2016 \$	2016 %
<b>Other KMP</b>						
S A Cooper <sup>(1)</sup>	495,280	100	-	-	-	-
J S L Mackay <sup>(2)</sup>	304,856	100	-	-	-	-
A S Brimblecombe <sup>(3)</sup>	66,500	92	-	-	5,489	8
T R Conway <sup>(3)</sup>	58,333	100	-	-	-	-
W Rowe <sup>(3)</sup>	50,000	100	-	-	-	-
C C Mana <sup>(4)</sup>	64,727	100	-	-	-	-
C G Bellamy <sup>(5)</sup>	216,415	100	-	-	-	-

(1) Appointed 19 January 2016

(2) Appointed 18 February 2016

(3) KMP to 1 March 2016

(4) Resigned 28 January 2016. Fixed remuneration incorporates all termination payments. Reversal of \$63,885 expenses relating to performance rights not vested have been excluded from the above table.

(5) Resigned 18 February 2016. Fixed remuneration incorporates all termination payments. Reversal of \$4,251 expenses relating to performance rights not vested have been excluded from the above table.

## 5 Additional Statutory Disclosures:

### (a) Service agreements

All executives of the Group are retained under an employment contract. This sets out the terms on which the executive is employed, key policies and procedures to which the executive must adhere and details of the executive's total remuneration package. The total remuneration package includes the fixed remuneration component (base salary, superannuation, motor vehicle or allowance and any fringe benefits), the variable component of the short term incentive scheme, long term incentive scheme, and a retention bonus\*. The retention bonus is not classified as part of the executive's total remuneration package until the relevant period of employment has been served and either the payment is made or is contractually due.

The employment contract with the CEO is for a 3 year fixed term. The employment contracts with the remaining senior executives have no fixed term. All contracts may be terminated by either party giving three months' notice. For one senior executive if a Change of Control Event occurs (for example, an acquisition of a controlling stake in the shareholding of Devine Limited by any one person, corporation or consortium), and the employment of the senior executive is terminated then a payment of 6 months remuneration would be payable.

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

\* The issue of new entitlements under the retention bonus component of executive remuneration ceased from 1 July 2012. Entitlements to a retention bonus that have been previously awarded remain in place until the relevant period of employment has been served and either the payment is made or is contractually due.

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 5 Additional Statutory Disclosures: (continued)

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

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

Name	Title	Commencement Date	Current Contract Date	Other Key Contract Terms
S A Cooper	CEO	CEO – 19 January 2016  Executive Director – 7 January 2017	5 February 2016	Mr Cooper may be eligible to participate in the Company's LTI plan. Eligibility is at the Company's discretion and may vary from year to year.  Mr Cooper is under a 3 year contract.
J S L Mackay	CFO & Company Secretary	18 February 2016	21 March 2016	Mr Mackay may be eligible to participate in the Company's LTI plan. Eligibility is at the Company's discretion and may vary from year to year.
A S Brimblecombe	GM: Communities	21 June 2010	21 June 2010	A retention bonus of 80% of the fixed remuneration component is payable by way of 4 installments being: 30% of 80% on 21 December 2013, 30% of 80% on 21 December 2015, 37% of the remaining 40% of 80% on 31 March 2017 and the final portion payable on 21 December 2017, provided still employed by the Company at those dates.
T R Conway	GM: Apartments and Development	24 November 2015	24 November 2015	Mr Conway is eligible for an STI subject to the discretion of the Board.
W Rowe	GM: Construction	30 November 2015	30 November 2015	A project completion bonus of 20% of the fixed remuneration component is payable progressively as various construction jobs complete, and provided he is still employed by the Company.
C G Bellamy	CFO & Company Secretary (resigned 18 February 2016)	CFO – 31 March 2014  Company Secretary – 12 August 2014  Acting CEO – 2 November 2015 till 18 January 2016	31 March 2014	Mr Bellamy was paid higher remuneration for the period he held the position of Acting CEO.
C C Mana	GM: Development (resigned 28 January 2016)	1 July 2010	1 August 2012	A retention bonus of 80% of the fixed remuneration component was payable by way of 3 installments being: 30% of 80% on 1 July 2014, 30% of 80% on 1 July 2016 and the remaining 40% of 80% on 1 July 2018, provided still employed by the Company at those dates.

#### (b) Disclosures relating to KMP share based payments

The table below discloses the number of options lapsed during the financial year.

Name	Year	Issue date	Expiry date	Options lapsed during the year (No.)
31 December 2016 Directors of Devine Limited				
D B Keir	FY2012	28 October 2011	28 October 2016	437,750

**(b) Disclosures relating to KMP share based payments (continued)**

The table below discloses the number of performance rights forfeited during the financial year.

Name	Year	Performance rights lapsed (No.)	Grant date	Fair value per right at grant date (\$) <sup>^</sup>	Expiry date
<b>31 December 2016</b>					
<b>Other KMP</b>					
C G Bellamy*	FY2015	45,213	18 Feb 2015	\$0.81	27 Feb 2018
C C Mana*	FY2015	40,213	18 Feb 2015	\$0.81	27 Feb 2018

<sup>^</sup> The fair value of the equity instruments is determined at the date granted and is progressively expensed over the vesting period. The total amount included as KMP remuneration in the table at section 4 of this report is not related to or indicative of the benefit (if any) that the KMP may ultimately realise should the equity instrument vest.

\* The above performance rights were forfeited in the 2016 financial year as a result of the executives resigning.

Performance rights carry no dividend or voting rights and are both vested and exercised automatically if the vesting conditions are met on the vesting date.

**(c) Group Performance**

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

	FY 2012	FY 2013	TY Dec 2013 #	FY 2014	FY 2015	FY 2016
Earnings per share (cents)	(8.1)	(0.4)	(46.0)	2.3	(22.7)	<b>(23.9)</b>
Dividends per share (cents)	4.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Closing share price (cents)	58.0	67.0	81.0	94.0	70.0	<b>45.0</b>

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

**(d) Option and performance right holdings of KMP**

The number of options over ordinary shares of Devine Limited and performance rights held during the financial year by each Director of Devine Limited and other KMP of the Group, including their related parties, are set out below:

December 2016	Balance at start of the year	Granted as compensation during the period		Other changes during the period		Lapsed/forfeited during the period		Balance at end of the year (No.)	Vested and exercisable (No.)	Unvested (No.)
		No.	Value (\$)	No.	Value (\$)	No.	Value (\$)			
<b>Options</b>										
<b>Directors of Devine Limited</b>										
D B Keir *	437,750	-	-	-	-	(437,750)	-	-	-	-
<b>Performance Rights</b>										
<b>Other KMP of the Group</b>										
A S Brimblecombe**	243,469	-	-	(243,469)	-	-	-	-	-	-
C C Mana***	230,655	-	-	-	-	(230,655)	-	-	-	-
C G Bellamy***	45,213	-	-	-	-	(45,213)	-	-	-	-

\* As per the terms of D B Keir's exit deed the options were to remain current until November 2016.

\*\* This represents performance rights holdings at the date the executive ceased to be a KMP, which are required to be excluded.

\*\*\* The performance rights were forfeited as at the date of the executives' resignation.

Performance rights carry no dividend or voting rights and are both vested and exercised automatically if the vesting conditions are met on or before the vesting date.

# DIRECTORS' REPORT

CONTINUED

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### (e) Shareholding of KMP

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

## EMPLOYEES

The Group employed 58 employees as at 31 December 2016 (December 2015: 132 employees).

## ROUNDING OF AMOUNTS

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

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



D P Robinson  
Chairman

Brisbane  
22 February 2017



# AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

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

As lead auditor for the audit of Devine Limited for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ric Roach  
Partner  
22 February 2017

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# FINANCIAL REPORT

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Notes	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<b>Continuing operations</b>			
Revenue	3	192,173	187,424
Cost of sales		(188,970)	(185,826)
<b>Gross profit</b>		<b>3,203</b>	1,598
Other revenue	3	2,019	2,752
Expenses, excluding finance expenses	4	(30,709)	(31,854)
		-	-
Finance expenses		(8,361)	(5,465)
Share of net loss of joint ventures accounted for using the equity method	30(b)	(4,496)	(120)
<b>Loss from continuing operations before income tax</b>		<b>(38,344)</b>	(33,089)
Income tax expense	5	(863)	(2,380)
<b>Loss from continuing operations after income tax</b>		<b>(39,207)</b>	(35,469)
<b>Discontinued operations</b>			
Profit/(loss) after tax from discontinued operations	36	1,318	(555)
<b>Loss for the year</b>		<b>(37,889)</b>	(36,024)
<b>Items that may be reclassified subsequently to profit and (loss)</b>			
Changes in the fair value of cash flow hedges/reserves, net of tax	24(a)	-	130
<b>Total comprehensive loss for the year</b>		<b>(37,889)</b>	(35,894)
		<b>Cents</b>	Cents
<b>Earnings per share</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company	33	(23.9)	(22.7)
<b>Earnings per share for continuing operations</b>			
Basic and diluted, loss for the year attributable to ordinary equity holders of the Company	33	(24.7)	(22.3)
<b>Earnings per share for discontinued operations</b>			
Basic and diluted, profit/(loss) for the year attributable to ordinary equity holders of the Company		0.8	(0.4)

Note: The consolidated loss before tax of Devine Limited and its subsidiaries of \$36,461,457 comprises a loss from continuing operations of \$38,344,609 and profit from discontinued operations of \$1,883,152. Refer also to note 32(b) segment information.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$'000	31 December 2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	863	15,704
Receivables	8	45,584	40,277
Inventories	9	37,190	95,471
Prepayments		670	923
<b>Total current assets</b>		<b>84,307</b>	152,375
<b>Non-current assets</b>			
Receivables	10	15,850	20,909
Inventories	14	149,524	170,242
Investments accounted for using the equity method	30(b)	10,482	19,124
Plant and equipment	15	1,377	2,082
Deferred tax assets	17	-	1,428
Intangible assets	16	3,316	3,316
<b>Total non-current assets</b>		<b>180,549</b>	217,101
<b>Total assets</b>		<b>264,856</b>	369,476
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	65,723	101,518
Interest bearing loans	19	17,290	49,334
Provisions	20	3,165	2,430
<b>Total current liabilities</b>		<b>86,178</b>	153,282
<b>Non-current liabilities</b>			
Advances and other payables	21	2,294	2,199
Provisions	20	1,492	1,190
<b>Total non-current liabilities</b>		<b>3,786</b>	3,389
<b>Total liabilities</b>		<b>89,964</b>	156,671
<b>Net assets</b>		<b>174,892</b>	212,805
<b>EQUITY</b>			
Contributed equity	23	292,367	292,367
Reserves	24(a)	331	355
Accumulated losses	24(b)	(117,806)	(79,917)
<b>Total equity</b>		<b>174,892</b>	212,805

The above 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 2016

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

  

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2015		292,367	161	(43,893)	248,635
Loss for the year		-	-	(36,024)	(36,024)
Other comprehensive income		-	130	-	130
<b>Total comprehensive income/(loss) for the year</b>		-	<b>130</b>	<b>(36,024)</b>	<b>(35,894)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Expense/(benefit) pursuant to employee incentive scheme	24(a)	-	64	-	64
<b>Balance at 31 December 2015</b>		<b>292,367</b>	<b>355</b>	<b>(79,917)</b>	<b>212,805</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Notes	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		246,554	304,198
Payments to suppliers and employees (inclusive of goods and services tax)		(231,498)	(275,238)
Interest received		188	1,046
Interest and borrowing costs paid		(3,936)	(7,542)
<b>Net cash inflow from operating activities</b>	25	<b>11,308</b>	22,464
<b>Cash flows from investing activities</b>			
Net proceeds/(payments) for plant and equipment		3	(203)
Net proceeds from investments in joint ventures		68	236
Loans to joint ventures		(2,826)	(6,188)
Repayments of loans by joint ventures		4,965	1,867
Proceeds from sale of subsidiary		-	1,430
Proceeds from sale of equity accounted investments		3,860	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>6,070</b>	(2,858)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		71,465	54,432
Repayment of borrowings		(103,684)	(76,456)
<b>Net cash outflow from financing activities</b>		<b>(32,219)</b>	(22,024)
<b>Net decrease in cash and cash equivalents</b>		<b>(14,841)</b>	(2,418)
Cash and cash equivalents at the beginning of the financial year		15,704	18,122
<b>Cash and cash equivalents at end of the financial year</b>	7	<b>863</b>	15,704

The above 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 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

### (a) Basis of preparation

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

The consolidated financial statements are presented in Australian dollars. All values are rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar or million dollars.

### (i) Statement of compliance

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

### (ii) Historical cost convention

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

### (iii) Critical accounting estimates

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

### (iv) Going concern

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

For the year ended 31 December 2016, the Group incurred a net loss after tax of \$38m (2015: net loss of \$36m) and generated net cash flows from operating activities of \$11m (2015: \$22m). As at 31 December 2016, the Group had net assets of \$175m (2015: \$213m) and current liabilities (including the Senior ANZ Bank Multi Option Facility (ANZ MOF) balance) exceeded current assets by \$1.9m (2015: \$0.9m).

As at 31 December 2016 the Group had drawn debt of \$22m (including bank guarantees) under the ANZ MOF, which has been classified as a current liability due to its maturity being 31 March 2017. Testing of financial covenants of the ANZ MOF Agreement has been deferred until 31 March 2017. The current \$22m net exposure of the Group to ANZ in relation to the ANZ MOF is secured by assets valued in excess of the debt amount. The Directors note that, based on internal projections, they do not expect the Group to be compliant with the covenants of the ANZ MOF Agreement as at the 31 March 2017 covenant compliance testing date. Under the terms of the ANZ MOF Agreement, a breach of a financial covenant entitles ANZ to request repayment of the facility on demand. In such an event, the Group currently does not have the immediate capacity to repay the facility in full nor does it currently have readily available alternate sources of liquidity. As a result, currently there is uncertainty in regard to whether 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.

In preparing the financial statements on a going concern basis, the Directors have had regard to the continuing strategic review of the Company's business and the Group's ongoing discussions with the ANZ Bank regarding refinance of the ANZ MOF. The Directors note that the ANZ Bank has continued to work closely with Devine Limited and its major shareholder, CIMIC Group Ltd, and has previously agreed to deferrals of the covenant testing date which it has recently extended to 31 March 2017. On the basis of the discussions with ANZ Bank, the strategic review jointly conducted with Company's major shareholder and the continued focus on cash and liquidity by management, the Directors consider that the Group is not in a position which would require adjustment to the recoverability and classification of recorded assets and liabilities and the use of the going concern basis is appropriate.

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

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Devine Limited and its subsidiaries as at 31 December 2016.

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

**(b) Basis of consolidation (continued)**

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

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

**(c) Joint arrangements**

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

The Company has two types of joint arrangements:

**Joint operations**

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

**Joint ventures**

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

**(d) Revenue recognition**

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

**(i) Land development and resale**

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

**(ii) Property development**

Revenue in respect of the Company's property development projects is recognised when risks and benefits of ownership transfer to a third party. Costs in relation to individual settled units are recognised in proportion to the total costs for the project and based on the percentage of revenue for each settled unit. Marketing and selling costs associated with the Company's property development projects are directly expensed as incurred.

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

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

**(iv) Construction contracts**

Revenue and costs on construction contracts with external parties are recognised in accordance with the percentage of completion method. When the outcome of the contract cannot be reliably estimated profits are deferred and where it is probable that the cost will be recovered, revenue is recognised to the extent of the costs incurred. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

For fixed price contracts, the percentage of completion is measured by reference to the actual costs incurred to date as a percentage of the total estimated costs for that contract. For cost plus contracts, revenue is recognised by reference to the costs incurred during the reporting period that will be recovered under the contract plus the relevant margin earned.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

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

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

##### (iv) Construction contracts (continued)

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

##### (v) Service revenue

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

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the cost will be recovered, revenue is recognised to the extent of costs incurred.

#### (e) Segment reporting

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

#### (f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily

convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (g) Trade and other receivables

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

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

#### (h) Inventories

##### (i) Construction work in progress

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

Pre-commitment costs are expensed when incurred and only capitalised from the point at which a project receives both Board approval and development approval (DA) is deemed probable or has been obtained.

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

#### (ii) Land held for resale / capitalisation of borrowing costs

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

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

#### (i) Leases

Leases of property, plant and equipment where the Group as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

**(j) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

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

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

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

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

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

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

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

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

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

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

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables (Notes 8 and 10) in the consolidated statement of financial position.

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

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

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

Purchases and sales of assets are recognised on the date that the Group commits to purchase or sell the asset. Assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets are generally included in non-current assets.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

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

#### (m) Impairment of assets

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

#### (n) Trade and other payables

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

#### (i) Advances

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

#### (o) Provisions

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

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

#### (p) Interest bearing liabilities

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

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

#### (q) Capitalisation of borrowing costs

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

#### (r) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, accumulating sick leave and annual 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

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

##### (iii) Share-based payments

Share-based compensation benefits are provided to employees through the Devine Limited Long Term Incentive (LTI) Plan. Information relating to this plan is set out in the Remuneration Report.

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.

**(r) Employee benefits (continued)**

**(iii) Share-based payments (continued)**

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

**(s) Derivatives and hedging activities**

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

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

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

Movements in the hedging reserve in shareholder's equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

**(t) Income tax**

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

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(i) Tax consolidation legislation**

Devine Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, Devine Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

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

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

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

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

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

#### (v) Earnings per share

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

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

##### (ii) Diluted earnings per share

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

#### (w) Contributed equity

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

#### (x) Dividends

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

#### (y) Parent entity financial information

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

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

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

##### (ii) Tax consolidation legislation

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

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

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

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

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

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

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

##### (iii) Financial guarantees

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

#### (z) Comparatives

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

**(aa) Changes in accounting estimates**

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

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

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 have been adopted by the Group. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

- > AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- > AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*
- > AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to AASB 116 and AASB 138)
- > AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- > AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- > AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- > AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* (AASB 8, AASB 133, & AASB 1057)

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period and have not yet been applied in the consolidated financial statements. These are:

- > AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* (AASB 12) effective 1 January 2017
- > *Annual Improvement to IFRS Standards 2014-2016 Cycle*<sup>^</sup> effective 1 January 2017

The Directors believe that the application of these new or amended accounting standards and interpretations would not have any material financial effect on the consolidated financial statements presented.

The following new accounting standards have been published but are not mandatory for the 31 December 2016 reporting period. Although further work will be required to assess the impact of the new standards the Directors believe that the preliminary assessment shows that the introduction of these standards will not have a significant impact on the Group's financial statements.

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

The following new accounting standards have been published but are not mandatory for the 31 December 2016 reporting period. The Directors believe it is too early to assess the impact of these standards on the consolidated financial statements of the Group.

- > AASB 16 *Leases* effective 1 January 2019
- > AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* effective 1 January 2018
- > AASB 201-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions* (AASB 2) effective 1 January 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

- > The Group has recognised deferred tax assets to the extent that it is probable that taxable profit will be available, against which the deferred tax asset can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group has \$33.1m (2015: \$20.7m) of tax losses that have not been recognised (refer Note 5) and overall deferred tax assets of \$41.4m (2015: \$25.7m);

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

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

- > For construction projects, the Group recognises profit by reference to the stage of completion method and when the profit outcome can be reliably measured. Until the profit outcome can be reliably measured, profit recognition is deferred. The Group prepares project cost forecasts and periodically assesses the cost to complete on each construction project, which requires management to estimate the cost of materials, trades and other direct and indirect costs. Management uses judgement in determining the amount of costs to be included in the forecasts, as well as the estimated construction timeline and potential impacts from project delays, disputes and contractual matters. The outcome of the project could be subsequently affected to the extent that actual costs vary from the forecasted amounts.

### 3 REVENUE FROM CONTINUING OPERATIONS

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<b>Revenue</b>		
Revenue from property development	100,043	88,813
Revenue from construction activities	73,023	83,212
Revenue from property development - related joint ventures	4,341	11,542
Revenue from construction activities - related joint ventures	14,766	3,857
	<b>192,173</b>	187,424
<b>Other revenue</b>		
Rent received	450	6
Interest received	522	1,186
Sundry income*	190	1,560
Net realised gain on sale of interest in equity accounted investments	857	-
	<b>2,019</b>	2,752
<b>Total Revenue</b>	<b>194,192</b>	190,176

\* Included in sundry income for December 2015 is \$1.3m for sale of 50% interest in a subsidiary.

### 4 EXPENSES FROM CONTINUING OPERATIONS

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

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
Marketing and selling costs	6,275	10,480
Occupancy****	3,643	2,200
Administration **	10,243	14,780
Other *	7,580	1,523
Land holding expenses	2,968	2,456
Restructure expenses ***	-	415
	<b>30,709</b>	31,854

\* December 2016 includes provisions raised of \$2.6m, loan forgiveness of \$2.1m to a related joint venture and loss on sale of 50% interest in equity accounted investment \$0.8m.

\*\* December 2015 includes takeover costs of \$0.7m and additional sale transactions costs of \$0.1m.

\*\*\* Relates to costs incurred in the Corporate segment as a result of the restructure of the housing business (Refer to Note 32 for further information)

\*\*\*\* December 2016 includes \$1.0m in relation to the surrender of the lease for level 1 of the Brisbane office

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

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
Write-down of inventory included in cost of properties sold	3,500	-

#### (c) Other expenses:

Employee benefits	8,391	10,496
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December 2015 includes employee costs of \$0.4m relating to the restructure of the housing business.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 5 INCOME TAX EXPENSE

#### (a) Income tax expense

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<b>Current tax expense:</b>		
Adjustments in respect of prior periods	-	-
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	1,546	761
Adjustments in respect of prior periods		
- prior year timing differences	(118)	1,380
<b>Income tax expense reported in the consolidated statement of comprehensive income</b>	<b>1,428</b>	<b>2,141</b>

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

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
Loss from continuing operations before income tax expense	(38,344)	(33,089)
Profit/(loss) from discontinuing operations before income tax expense*	1,883	(794)
<b>Total loss before income tax expense</b>	<b>(36,461)</b>	<b>(33,883)</b>
Tax at the Australian tax rate of 30% (2015 - 30%)	(10,938)	(10,165)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Current year tax losses not recognised	12,458	10,493
Adjustments in respect of prior years	(118)	1,380
Entertainment	5	19
Options issued to employees	21	19
Capital gain from subsidiary exiting the tax group	-	395
<b>Total income tax expense</b>	<b>1,428</b>	<b>2,141</b>
Income tax expense for continuing operations	863	2,380
Income tax expense/(benefit) for discontinuing operations	565	(239)
	<b>1,428</b>	<b>2,141</b>

\*Refer to Note 36 for more detail

#### (c) Tax losses

The Group has total tax losses of \$138,007,700 (December 2015: \$85,505,424) which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met. \$110,483,577 of these losses (December 2015: \$69,072,824) have not been recognised.

Deferred tax assets in respect of these losses of \$33,145,073 (December 2015: \$20,721,847) 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 be able to be met.

#### (d) Unrecognised temporary differences

Deferred tax assets of \$1,235,009 (December 2015: \$5,469,978) have not been recognised in respect of temporary differences arising from the Group's investment in joint venture entities as there is not sufficient certainty that these entities will generate future taxable distributions to ensure realisation of these losses.

## 6 DIVIDENDS

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Franked dividends</b>		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (Dec 2015 - 30%)	9,444	9,444

## 7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	31 December 2016 \$'000	31 December 2015 \$'000
Cash and cash equivalents	863	15,704

For December 2015 included in cash and cash equivalents is an amount of \$15.0m that was required to be held on deposit under the terms of the ANZ MOF, this requirement was removed during 2016.

## 8 CURRENT ASSETS - RECEIVABLES

	31 December 2016 \$'000	31 December 2015 \$'000
Trade receivables	5,015	17,190
Provision for impairment	(1,466)	(5,198)
	3,549	11,992
Contract debtors	29,655	11,070
Contract debtor provision*	(1,764)	-
	27,891	11,070
Joint venture loans	12,687	14,889
Other receivables	1,399	2,195
Deposits	58	131
	42,035	28,285
Total receivables	45,584	40,277

\* For December 2016 the Group raised a contract debtor provision to cover the risk on a portfolio basis of unrecoverable contract debtors.

### (a) Impaired trade receivables

In December 2015 the Group recognised a provision of \$5.0m in respect of an individual trade receivable. This provision has been reviewed in December 2016 and reduced to \$1.4m.

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

	31 December 2016 \$'000	31 December 2015 \$'000
Opening balance	5,198	5,047
Provision for impairment recognised during the year	182	151
Utilised	(128)	-
Unused amounts reversed	(3,786)	-
<b>Closing balance</b>	<b>1,466</b>	<b>5,198</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

## 8 CURRENT ASSETS – RECEIVABLES (CONTINUED)

### (b) Past due but not impaired

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

	31 December 2016 \$'000	31 December 2015 \$'000
Neither past due nor impaired	869	4,989
Less than 30 days	268	3,394
30 - 60 days	222	1,547
61 - 90 days	361	466
Greater than 90 days	1,829	1,596
	<b>3,549</b>	11,992

### (c) Other receivables

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

### (d) Fair value and credit risk

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

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

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Additional information on contract debtors</b>		
Total progressive value of all contracts in progress at reporting date	117,477	93,518
Less: Cash received to date	(89,586)	(82,448)
Amounts due from customers – contract debtors	27,891	11,070
Amounts due to customers – trade creditors	-	-
Net contract debtors	<b>27,891</b>	11,070

## 9 CURRENT ASSETS - INVENTORIES

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Work in progress</b>		
Work in progress	3,011	14,453
	<b>3,011</b>	14,453
<b>Land held for sale</b>		
Acquisition costs	11,438	20,074
Development costs capitalised	22,741	60,944
	<b>34,179</b>	81,018
<b>Total current inventories - at the lower of cost and net realisable value</b>	<b>37,190</b>	95,471

### Capitalised interest and borrowing costs

The amount of interest and borrowing costs capitalised to inventory (current and non-current - refer Note 14) during the financial year ended 31 December 2016 was \$3.7m (December 2015: \$8.1m). The rate used to determine the amount of interest and borrowing costs eligible for capitalisation was 4.35% (December 2015: 5.77%).

## 10 NON-CURRENT ASSETS - RECEIVABLES

	31 December 2016 \$'000	31 December 2015 \$'000
Trade and other receivables	15,850	20,909

### (a) Past due but not impaired

At 31 December 2016 there were no past due non-current receivables (December 2015: Nil). Refer also Note 8(b).

### (b) Fair values

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

### (c) Credit Risk

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 11 SUBSIDIARIES

#### Interests in subsidiaries

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

Name of entity	Principal activities	Equity Interest **	
		December 2016 %	December 2015 %
Devine Homes Pty Ltd*	Home building	100	100
Devine Constructions Pty Ltd*	Construction	100	100
Talcliff Pty Ltd*	Property development	100	100
DMB Pty Ltd*	Property development	100	100
Pioneer Homes Australia Pty Ltd*	Property development	100	100
Devine Funds Pty Ltd *	Property development	100	100
Devine Funds Unit Trust	Property development	100	100
Devine Springwood No 1 Pty Ltd*	Property development	100	100
Moorookyle Devine Pty Ltd*	Property development	100	100
111 Margaret Street Pty Ltd***	Property development	-	100
Devine Springwood No 2 Pty Ltd*	Property development	100	100
Devine Bacchus Marsh Pty Ltd *	Property development	100	100
Devine Management Services Pty Ltd*	Property development	100	100
Devine Queensland No 10 Pty Ltd*	Property development	100	100
Devine Land Pty Ltd*	Property development	100	100
Riverstone Rise Gladstone Pty Ltd*	Property development	100	100
Riverstone Rise Gladstone Unit Trust	Property development	100	100
DoubleOne 3 Pty Ltd*	Property development	100	100
Devine Springwood No 3 Pty Ltd*	Property development	100	100
Victoria Point Docklands 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	100
Devine Projects (VIC) Pty Ltd*	Property development	100	100
Devine SA Land Pty Ltd*	Property development	100	100
Devine Woodforde Pty Ltd*	Property development	100	100
Tribune SB Pty Ltd*	Property development	100	100
Tribune SB Unit Trust	Property development	100	100
Trafalgar EB Pty Ltd*	Property development	100	100
Trafalgar EB Unit Trust	Property development	100	100
Devine Colton Avenue Pty Ltd*	Property development	100	100

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

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

\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission, as set out in Note 12. There was no requirement to lodge an updated Deed of Cross Guarantee with ASIC for the financial year ending 31 December 2016.

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

\*\*\* These subsidiaries were deregistered in the 2016 financial year.

## 12 DEED OF CROSS GUARANTEE

Devine Limited and the subsidiary companies specifically referenced in Note 11 are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

The above companies represent a 'Closed Group' for the purposes of the Class Order, 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 2016 for the Closed Group.

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<i>Consolidated statement of profit or loss</i>		
Loss from continuing operations before income tax	(35,691)	(32,305)
Income tax (expense)/benefit	(457)	40
Loss after tax from continuing operations	(36,148)	(32,265)
Profit/(loss) after tax from discontinued operations	1,318	(556)
<b>Net loss for the period</b>	<b>(34,830)</b>	<b>(32,821)</b>
<i>Summary of movements in consolidated accumulated losses</i>		
Accumulated losses at the beginning of the reporting period	(83,290)	(50,469)
Loss for the year	(34,830)	(32,821)
<b>Accumulated losses at the end of the reporting period</b>	<b>(118,120)</b>	<b>(83,290)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 12 DEED OF CROSS GUARANTEE (CONTINUED)

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

Set out below is a Consolidated statement of financial position as at 31 December 2016 for the Closed Group.

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Current assets</b>		
Cash and cash equivalents	862	15,704
Receivables	45,584	40,261
Inventories	35,402	92,325
Prepayments	601	846
<b>Total current assets</b>	<b>82,449</b>	<b>149,136</b>
<b>Non-current assets</b>		
Receivables	50,575	59,224
Inventories	98,662	114,991
Investments accounted for using the equity method	10,482	19,124
Plant and equipment	1,376	2,052
Deferred tax assets	3,803	4,825
Intangible assets	3,316	3,316
<b>Total non-current assets</b>	<b>168,214</b>	<b>203,532</b>
<b>Total assets</b>	<b>250,663</b>	<b>352,668</b>
<b>Current liabilities</b>		
Trade and other payables	65,264	101,281
Interest bearing loans	3,874	36,143
Provisions	3,161	2,423
<b>Total current liabilities</b>	<b>72,299</b>	<b>139,847</b>
<b>Non-current liabilities</b>		
Advances and other payables	2,294	1,190
Provisions	1,492	2,199
<b>Total non-current liabilities</b>	<b>3,786</b>	<b>3,389</b>
<b>Total liabilities</b>	<b>76,085</b>	<b>143,236</b>
<b>Net assets</b>	<b>174,578</b>	<b>209,432</b>
<b>Equity</b>		
Contributed equity	292,367	292,367
Reserves	331	355
Accumulated losses	(118,120)	(83,290)
<b>Total equity</b>	<b>174,578</b>	<b>209,432</b>

## 13 PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Statement of financial position</b>		
<b>Assets</b>		
Current assets	158,219	190,123
Non-current assets	55,006	59,543
<b>Total assets</b>	<b>213,225</b>	<b>249,666</b>
<b>Liabilities</b>		
Current liabilities	18,818	32,216
Non-current liabilities	746	454
<b>Total liabilities</b>	<b>19,564</b>	<b>32,670</b>
<b>Net assets</b>	<b>193,661</b>	<b>216,996</b>
<b>Equity</b>		
Contributed equity	292,367	292,367
Reserves	331	355
Accumulated losses	(99,037)	(75,726)
<b>Total equity</b>	<b>193,661</b>	<b>216,996</b>
<b>Loss for the year</b>	<b>(23,312)</b>	<b>(50,149)</b>
<b>Total comprehensive loss for the year</b>	<b>(23,312)</b>	<b>(50,149)</b>

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

Devine Limited and controlled entities have provided bank guarantees and surety bonds totaling \$30.6m at 31 December 2016 (December 2015: \$40.1m) relating to individual land developments and other aspects of the Company's operations. The guarantees and bonds are secured by charges over the assets of the respective entities or indemnities. No liabilities are expected to arise.

Devine Limited and in most instances, its joint venture partners have provided guarantees for the performance of the joint ventures for debt totaling \$59.5m at 31 December 2016 (December 2015: \$33.4m). The debt is secured against assets of the joint ventures with a recorded value of \$134.1m (December 2015: \$109.2m) and is to be repaid from the land and apartment sales of the joint ventures. No liabilities are expected to arise.

Devine Limited also provides performance and financial guarantees for land acquisitions, construction and developments in the normal course of its business operations. No liabilities are expected to arise.

Devine Limited has guaranteed, under the terms of Class Order 98/1418, issued by the Australian Securities and Investments Commission, to pay any deficiency in the event of winding up of the controlled entities within the Group. The controlled entities have also given a similar guarantee in the event that Devine Limited is wound up. No liabilities are expected to arise. For further information refer to Note 12.

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

For further information about contingencies refer to Note 31.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 14 NON-CURRENT ASSETS - INVENTORIES

	31 December 2016 \$'000	31 December 2015 \$'000
Land held for sale		
Acquisition costs	47,612	65,113
Development costs capitalised	101,912	105,129
<b>Total non-current inventories - at the lower of cost and net realisable value</b>	<b>149,524</b>	<b>170,242</b>

## 15 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Leasehold improvements \$'000	Computer equipment \$'000	Other plant and equipment	Total \$'000
<b>Year ended 31 December 2016</b>				
Opening net book amount	1,568	353	161	2,082
Additions	-	-	-	-
Disposals	(1)	(4)	(13)	(18)
Assets written off	(40)	(116)	(202)	(358)
Depreciation charge	(414)	(122)	(90)	(626)
Depreciation write back on disposals and assets written off	19	106	172	297
<b>Closing net book amount</b>	<b>1,132</b>	<b>217</b>	<b>28</b>	<b>1,377</b>
<b>At 31 December 2016</b>				
Cost	2,352	536	304	3,192
Accumulated depreciation	(1,220)	(319)	(276)	(1,815)
<b>Net book amount</b>	<b>1,132</b>	<b>217</b>	<b>28</b>	<b>1,377</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	1,922	144	411	2,477
Additions	19	375	86	480
Disposals	(9)	-	(17)	(26)
Assets written off	(1,524)	(1,089)	(2,017)	(4,630)
Depreciation charge	(368)	(166)	(193)	(727)
Depreciation write back on disposals and assets written off	1,528	1,089	1,891	4,508
<b>Closing net book amount</b>	<b>1,568</b>	<b>353</b>	<b>161</b>	<b>2,082</b>
<b>At 31 December 2015</b>				
Cost	2,393	656	520	3,569
Accumulated depreciation	(825)	(303)	(359)	(1,487)
<b>Net book amount</b>	<b>1,568</b>	<b>353</b>	<b>161</b>	<b>2,082</b>

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

	Brand name \$'000	Total \$'000
<b>At 31 December 2016</b>		
Cost	3,316	3,316
<b>Net book amount</b>	<b>3,316</b>	<b>3,316</b>
<hr/>		
	Brand name \$'000	Total \$'000
<b>At 31 December 2015</b>		
Cost	3,316	3,316
<b>Net book amount</b>	<b>3,316</b>	<b>3,316</b>

### Impairment tests for intangibles with indefinite useful lives

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

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

Royalty projections for the first 5 years are calculated based on 0.7% of revenue (2015: 0.7%) and a terminal value is extrapolated using a growth rate of 3% (2015: 3%) and a risk adjusted discount rate of 10.04% (2015: 10.55%). Royalty projections for first 5 years and the terminal value are adjusted by a tax rate of 30% (2015: 30%) and then discounted using the risk adjusted discount rate to arrive at a net present value (NPV).

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

## 17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Notes	31 December 2016 \$'000	31 December 2015 \$'000
<b>The balance comprises temporary differences attributable to:</b>			
Accrued expenses		62	1,058
Doubtful debts		440	1,559
Employee benefits		594	706
Establishment fees		411	588
Inventories		3,933	5,143
Investment in associates		313	1,107
Provisions		1,355	429
Tax losses		8,257	4,930
Other		122	43
		<b>15,487</b>	15,563
Set-off of deferred tax liabilities pursuant to set-off provisions	22	<b>(15,487)</b>	(14,135)
<b>Net deferred tax assets</b>		<b>-</b>	1,428
<hr/>			
<b>Movements:</b>			
Opening balance		<b>15,563</b>	18,738
Credited/(charged) to the statement of comprehensive income		<b>(140)</b>	666
Prior year adjustments		<b>64</b>	(3,841)
Set-off		<b>(15,487)</b>	(14,135)
<b>Closing balance</b>		<b>-</b>	1,428

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Current liabilities</b>		
Trade payables	25,509	57,527
Advances and other payables	40,214	43,991
	<b>65,723</b>	<b>101,518</b>

### 19 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Secured</b>		
Bank loans*	17,290	49,334

\* Included in bank loans is a cash balance of \$7.6m (2015: (\$2.4m)). Under the ANZ MOF these cash amounts are offset against the debt drawn.

#### (a) Total secured liabilities

	31 December 2016 \$'000	31 December 2015 \$'000
Bank loans (current and non-current)	17,290	49,334

#### (b) Assets pledged as security

Bank loans are secured by mortgages over the consolidated entity's inventories including developed and undeveloped land. A fixed and floating charge over all the assets of the consolidated entity is also held by the consolidated entity's principal bankers. The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Current</b>		
Cash and cash equivalents	863	15,704
Receivables	45,584	40,277
Inventories	37,190	95,471
Prepayments	670	923
<b>Total current assets pledged as security</b>	<b>84,307</b>	<b>152,375</b>
<b>Non-current</b>		
Receivables	15,850	20,909
Inventories	149,524	170,242
Investments accounted for using the equity method	10,482	19,124
Plant and equipment	1,377	2,082
Intangible assets	3,316	3,316
Deferred tax assets	-	1,428
<b>Total non-current assets pledged as security</b>	<b>180,549</b>	<b>217,101</b>
<b>Total assets pledged as security</b>	<b>264,856</b>	<b>369,476</b>

## 19 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (CONTINUED)

### (c) Financing arrangements

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

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Bank loans</b>		
Total facilities limits*	52,707	83,119
Total facilities available	36,927	83,119
Used at balance date- including guarantees	23,142	58,648
Available at balance date	13,785	24,471

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

## 20 PROVISIONS

	Employee \$'000	Warranties \$'000	Onerous operating lease \$'000	Makegood \$'000	Restructuring \$'000	Total \$'000
At 1 January 2016	2,191	1,000	-	404	25	3,620
Arising during the year	1,535	804	978	24	-	3,341
Utilised	(1,821)	(458)	-	-	(25)	(2,304)
<b>At 31 December 2016</b>	<b>1,905</b>	<b>1,346</b>	<b>978</b>	<b>428</b>	<b>-</b>	<b>4,657</b>
<b>Current</b>	<b>1,552</b>	<b>1,346</b>	<b>267</b>	<b>-</b>	<b>-</b>	<b>3,165</b>
<b>Non-current</b>	<b>353</b>	<b>-</b>	<b>711</b>	<b>428</b>	<b>-</b>	<b>1,492</b>

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

	31 December 2016 \$'000	31 December 2015 \$'000
Advances and other payables	2,294	2,199

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

## 22 NON – CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	31 December 2016 \$'000	31 December 2015 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Income received in advance	-	405
Other	146	66
Accrued expenses	583	475
Inventories	14,758	13,189
	<b>15,487</b>	14,135
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	<b>(15,487)</b>	(14,135)
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>		
<b>Opening balance</b>	<b>14,135</b>	15,169
Charged to statement of comprehensive income	1,406	1,428
Prior year adjustments	(54)	(2,462)
Set off	<b>(15,487)</b>	(14,135)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

## 23 CONTRIBUTED EQUITY

### (a) Share capital

	31 December 2016 Shares	31 December 2015 Shares	31 December 2016 \$'000	31 December 2015 \$'000
Ordinary shares - fully paid	<b>158,730,556</b>	158,730,556	<b>292,367</b>	292,367

### (b) Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 January 2016	Opening balance	158,730,556	292,367
31 December 2016	Closing balance	158,730,556	292,367

## 23 CONTRIBUTED EQUITY (CONTINUED)

### (c) Capital risk management

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

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

The gearing ratios are as follows:

	31 December 2016 \$'000	31 December 2015 \$'000
Interest and non-interest bearing loans and borrowings	17,290	49,509
Less: cash and cash equivalents	(863)	(15,704)
<b>Net debt</b>	<b>16,427</b>	<b>33,805</b>
Total assets	264,856	369,476
Less: cash and cash equivalents	(863)	(15,704)
<b>Assets</b>	<b>263,993</b>	<b>353,772</b>
<b>Gearing ratio</b>	<b>6.2%</b>	<b>9.6%</b>

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

### (a) Reserves

	31 December 2016 \$'000	31 December 2015 \$'000
Share based payment reserve	331	355
<b>Movements:</b>		
<b>Hedging reserve – cash flow hedges</b>		
Opening balance	-	(130)
Maturity/termination hedge contract	-	130
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Share-based payments reserve</b>		
Opening balance	355	291
Share based payment (benefit)/expense	(24)	64
<b>Closing balance</b>	<b>331</b>	<b>355</b>

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

#### Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 1(s). Amounts are reclassified to profit or loss when the associated hedged transaction crystallises.

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

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

	31 December 2016 \$'000	31 December 2015 \$'000
Opening balance	(79,917)	(43,893)
Net loss for the year	(37,889)	(36,024)
<b>Closing balance</b>	<b>(117,806)</b>	<b>(79,917)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 25 NOTES TO STATEMENT OF CASHFLOWS

#### (a) Reconciliation of loss after income tax to net cash flows from operations

	31 December 2016 \$'000	31 December 2015 \$'000
Loss for the year	(37,889)	(36,024)
<b>Non-cash items</b>		
Interest capitalised	4,638	(2,042)
Losses/(profit) from joint ventures & sale of subsidiaries not received as cash	4,496	(1,197)
Depreciation and amortisation	626	727
Movements in provisions	(3,732)	-
Non-cash employee benefits expense - share-based payments	(23)	64
Fair value gains on financial assets at fair value through profit or loss	-	(45)
Loss on sale and write off of plant and equipment	64	139
Impairment of inventory	3,500	-
Loan forgiveness	2,147	-
Net gain on sale of equity accounted investments	(93)	-
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade and sundry debtors	(2,295)	3,388
Decrease in inventories	70,861	23,939
Decrease in prepayments	428	1,575
(Decrease)/increase in trade creditors and accruals	(35,649)	30,463
Increase in deferred income tax	1,428	2,142
Increase/(decrease) in other provisions	2,801	(665)
<b>Net cash inflow from operations</b>	<b>11,308</b>	<b>22,464</b>

#### (b) Minimum cash reserve

Included in cash and cash equivalents is an amount of nil (December 2015: \$15.0m) that is required to be held on deposit under the terms of the Company's ANZ MOF.

### 26 COMMITMENTS

#### Non-cancellable operating leases

	31 December 2016 \$'000	31 December 2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,362	3,148
Later than one year but not later than five years	5,650	10,402
Later than five years	-	516
	<b>8,012</b>	<b>14,066</b>

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

## 27 SHARE-BASED PAYMENTS

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

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

LTI awards made under the plan are delivered in the form of performance rights, which are granted for no cost and entitle the executive to receive one fully paid ordinary share in the Company per right, subject to the terms and conditions determined by the Board. During the 2016 financial year there were no LTI's awarded (2015: 127,873 LTI's were awarded). The performance rights issued in September 2013 and February 2015 are for a term of 3 years and vest automatically on the satisfaction of both the service condition and performance hurdles in September 2016 and February 2018 respectively.

The performance rights cannot be transferred and are not quoted on the ASX. At 31 December 2016 there were 2 senior executives participating in the plan (December 2015: 4 senior executives and managers). When exercised each performance right is converted into one ordinary share in Devine Limited.

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

#### 31 December 2016

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

#### 31 December 2015

Grant date	Expiry date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
16 Sept 2013	30 Sept 2016	692,362	-	-	(121,036)	571,326	-
18 Feb 2015	27 Feb 2018	-	127,873	-	-	127,873	-
Weighted average FV	(Sept 13)	\$1.05				\$1.05	
Weighted average FV	(Feb 15)	-				\$0.81	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 27 SHARE-BASED PAYMENTS (CONTINUED)

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

##### Fair value of performance rights granted

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

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

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

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

##### Performance hurdles:

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

#### (b) Executive share option scheme

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

## 27 SHARE-BASED PAYMENTS (CONTINUED)

### (b) Executive share option scheme (continued)

Information with respect to the options on issue under the Executive share option scheme is as follows:

Grant date	Expiry date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<b>31 December 2016</b>							
28/10/2011	28/10/2016	437,750	-	-	(437,750)	-	-
		437,750	-	-	(437,750)	-	-
Weighted average exercise price	\$0.91	-	-	-	-	-	-

Grant date	Expiry date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<b>31 December 2015</b>							
01/07/2010	01/07/2015	630,000	-	-	(630,000)	-	-
28/10/2011	28/10/2016	437,750	-	-	-	437,750	-
		1,067,750	-	-	(630,000)	437,750	-
Weighted average exercise price	\$1.05	-	-	-	-	\$0.91	-

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

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

	31 December 2016 \$'000	31 December 2015 \$'000
(Benefit)/expense arising from share based payments	(23)	64

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 28 REMUNERATION OF AUDITORS

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

	12 months to December 2016 \$	12 months to December 2015 \$
<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>	252,721	340,800
Other assurance and technical accounting services	-	30,738
Other services *	-	8,026
<b>Total remuneration for audit and other assurance services</b>	<b>252,721</b>	<b>379,564</b>
<b>Taxation services</b>		
Tax compliance and advisory services	32,345	55,176
<b>Total remuneration for taxation services</b>	<b>32,345</b>	<b>55,176</b>
Total remuneration of Ernst & Young	<b>285,066</b>	<b>434,740</b>

\* December 2015 costs relate to the due diligence costs incurred in connection with CIMIC Group Limited's takeover process of Devine Limited.

### 29 RELATED PARTY TRANSACTIONS

#### (a) Parent entities

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construccion y Servicios SA, incorporated and listed in Spain. There were no transactions between the Group and HOCHTIEF Australia Holdings Limited and nor between the Group and Actividades de Construccion y Servicios SA during the financial year (December 2015: Nil).

On 19 December 2013 CIMIC Group Limited (formerly Leighton Holdings Limited), the immediate Australian parent entity, provided a \$50m partial guarantee of the Group's debt facility with Australia and New Zealand Banking Group Limited (ANZ) on which fees of 1.5%p.a. were payable quarterly in arrears plus legal costs. The guarantee was released on 30 September 2015. During the 2015 financial year guarantee fees totaling \$587,672 and legal fees totaling \$21,046 were paid or payable. Additionally, through its relationship with CIMIC Group Limited, the Group has accessed competitive rates in respect of information technology products and services and travel services. Amounts totaling nil for information technology services (December 2015: \$119,925) and \$144,783 for travel services (December 2015: \$563) were paid or payable. These fees were determined under normal commercial terms and conditions.

During the 2015 financial year CIMIC Group Limited paid \$500,000 to the Group for sale transaction costs incurred.

During the 2016 financial year CIMIC Admin Services Pty Ltd invoiced the Company for Directors' fees totaling \$91,452 (2015: nil) and travel costs totaling \$1,290 (2015: \$563).

During the 2016 financial year CPB Contractors Pty Ltd a wholly owned subsidiary of CIMIC Group Limited invoiced the Company \$820,050 (2015: nil) for secondment of construction contractors.

The Group invoiced CPB Contractors Pty Ltd \$171,273 (2015: nil) for rent and outgoings on the premises in Victoria which they are sub-letting.

#### (b) Directors

There have been no transactions with Directors or their related parties for the financial year ended 31 December 2016 (December 2015: nil).

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Loans to key management personnel

No loans were secured or made during the financial year ended 31 December 2016 (December 2015: 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 2016 (December 2015: Nil)

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

	12 months to December 2016 \$	12 months to December 2015 \$
Short-term employee benefits	1,395,469	3,024,931
Post-employment benefits	82,287	169,223
Long-term benefits	-	599,760
Termination payments	101,194	866,920
Share-based payments	(62,647)	66,828
	<b>1,516,303</b>	<b>4,727,662</b>

### (f) Interests held by key management personnel under the Executive share option scheme and LTI plan

Interests held by key management personnel under Executive share option scheme and LTI plan are as follows:

Issue Date	Expiry date	Exercise price	Dec 2016 Number outstanding	Dec 2015 Number outstanding
<b>Performance rights</b>				
18 February 2015***	27 February 2018	-	-	127,873
16 September 2013**	30 September 2016	-	-	391,464
			-	519,337
<b>Options *</b>				
28 October 2011	28 October 2016	\$0.91	-	437,750
			-	437,750
			-	957,087

\* The options expired during the December 2016 financial year.

\*\* During the financial year 190,442 performance rights were forfeited and the balance lapsed.

\*\*\* During the financial year 85,426 performance rights were forfeited and effective from 1 March 2016 the executive who held the balance ceased being a KMP.

### (g) Revenue from related parties

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<b>Sales of goods and services</b>		
Interest received from related parties	86	457
Revenue from property development - related joint ventures	4,341	11,542
Revenue from construction services - related joint ventures	14,765	3,857
	<b>19,192</b>	<b>15,856</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 29 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (h) Amounts owed by related parties

	31 December 2016 \$'000	31 December 2015 \$'000
Trade receivables owing by other related parties	453	331
Trade receivables owing by joint ventures	7,196	8,224
Less: Provision for doubtful debt	(1,466)	(5,066)
Loans advanced to joint ventures	25,619	30,363
	<b>31,802</b>	<b>33,852</b>

#### (i) Amounts owed to related parties

	31 December 2016 \$'000	31 December 2015 \$'000
Trade payables to related parties	737	2
Loans advanced by joint ventures	32,431	38,508
	<b>33,168</b>	<b>38,510</b>

#### (j) Guarantees

Devine Limited and in most instances its joint venture partners, have provided guarantees for the performance of the joint ventures for debt totaling \$59.5m at 31 December 2016 (December 2015: \$33.4m). The debt is secured against assets of the joint ventures with a recorded value of \$134.1m (December 2015: \$109.2m) and is to be repaid from the land and apartment sales of the joint ventures. No liabilities are expected to arise.

#### (k) Terms and conditions

Transactions with related parties are made on normal commercial terms and conditions and at market rates.

### 30 INTERESTS IN JOINT ARRANGEMENTS

#### (a) Joint operations

##### Joint operations ownership interest

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

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

	Ownership interest %	
	31 December 2016	31 December 2015
Bacchus Marsh – Stonehill, Victoria	50	50
Deer Park ** - Victoria	-	50
Casey Fields * - Parksedge, Victoria	55	55
Henry Road Pakenham – Edenbrook, Victoria	50	50

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

\*\* The Deer Park joint operation was wound up during the financial year.

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

### 30 INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

#### (b) Joint ventures

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

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

	Ownership interest %	
	31 December 2016	31 December 2015
Hamilton Harbour Unit Trust	50	50
Townsville City Project Trust	50	50
Riverina Estate Development Trust ****	-	50
Kurunjang Development Trust **	-	50
Wallan Project Trust	50	50
DoubleOne 3 Unit Trust	50	50
Fallingwater Trust ****	-	15
Woodforde JV Pty Ltd ***	-	50
Mode Apartments Unit Trust*	50	50

\* 50% ownership of a previously wholly owned subsidiary, Mode Apartments Unit Trust was sold to an external party on 28 May 2015. The Group's ownership of the unit trust was consolidated up to the date of disposal and then equity accounted from 28 May 2015 onwards.

\*\* Effective 29 June 2016 the units in Kurunjang Development Trust were sold.

\*\*\* Effective 02 September 2016 the shares in Woodforde JV Pty Ltd were sold.

\*\*\*\* These joint ventures were wound up during the financial year.

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

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

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

	31 December 2016 \$'000	31 December 2015 \$'000
Current assets	50,326	30,388
Non-current assets	9,053	34,693
<b>Total Assets</b>	<b>59,379</b>	<b>65,081</b>
Current liabilities	31,368	14,169
Non-current liabilities	17,529	28,556
<b>Total Liabilities</b>	<b>48,897</b>	<b>42,725</b>
<b>Net Assets</b>	<b>10,482</b>	<b>22,356</b>

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

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

Loss for the year and total comprehensive loss for the year	4,496	120
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 31 CONTINGENCIES

#### Contingent liabilities

The Group had contingent liabilities at 31 December 2016 in respect of:

##### (i) Guarantees

The Group has provided the following guarantees:

The Group and controlled entities have provided bank guarantees and surety bonds totaling \$30.6m at 31 December 2016 (December 2015: \$40.1m) relating to individual land developments and other aspects of the Company's operations. The guarantees and bonds are secured by charges over the assets of the respective entities or indemnities. No liabilities are expected to arise.

The Group and, in most instances, its joint venture partners have provided guarantees for the performance of the joint ventures for debt totaling \$59.5m at 31 December 2016 (December 2015: \$33.4m). The debt is secured against assets of the joint ventures with a recorded value of \$134.1m (December 2015: \$109.2m) and is to be repaid from the property sales of the joint ventures. No liabilities are expected to arise.

The Group also provides performance and financial guarantees for land acquisitions, construction and developments in the normal course of its business operations. No liabilities are expected to arise.

##### (ii) Litigation

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

### 32 SEGMENT INFORMATION

#### (a) Description of segments

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

For the December 2015 statutory accounts the Group reported the closure of the detached housing business as discontinued and the continuing medium density and wholesale housing business as part of the Communities segment.

Effective June 2016 the Group decided to close the medium density and wholesale housing business. This part of the Communities segment has wound down progressively over the last 6 months and is expected to be fully wound down by June 2017.

The discontinued housing segment incorporates the detached housing, medium density and wholesale housing businesses.

#### (b) Operating segments

12 months ended 31 December 2016	Communities \$'000	Development \$'000	Construction \$'000	Corporate \$'000	Total continuing operations \$'000	Housing \$'000	Consolidated Total \$'000
Total sales revenue **	92,791	11,594	87,788	-	192,173	33,264	225,437
Interest revenue	122	1	15	384	522	17	539
Other revenue	1,032	415	-	50	1,497	118	1,615
<b>Total segment revenue</b>	<b>93,945</b>	<b>12,010</b>	<b>87,803</b>	<b>434</b>	<b>194,192</b>	<b>33,399</b>	<b>227,591</b>
Segment result	(3,299)	(9,505)	(14,509)	(7,548)	(34,861)	1,883	(32,978)
Write down of inventory	(3,500)	-	-	-	(3,500)	-	(3,500)
Takeover costs	-	-	-	17	17	-	17
<b>Segment result</b>	<b>(6,799)</b>	<b>(9,505)</b>	<b>(14,509)</b>	<b>(7,531)</b>	<b>(38,344)</b>	<b>1,883</b>	<b>(36,461)</b>
Loss before income tax					(38,344)	1,883	(36,461)
Income tax expense					(863)	(565)	(1,428)
<b>Loss for the year</b>					<b>(39,207)</b>	<b>1,318</b>	<b>(37,889)</b>

## 32 SEGMENT INFORMATION (CONTINUED)

### (b) Operating segments (continued)

	Communities	Development	Construction	Corporate	Total continuing operations	Housing	Consolidated Total
As at 31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment assets</b>	213,776	14,993	28,044	4,223	261,036	3,820	<b>264,856</b>
<b>Segment liabilities *</b>	34,768	7,088	14,720	32,713	89,289	675	<b>89,964</b>
<b>Other segment information</b>							
Investments in joint ventures	-	10,482	-	-	10,482	-	<b>10,482</b>
Share of net profits/ (losses) of joint ventures	2	(4,498)	-	-	(4,496)	-	<b>(4,496)</b>

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

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

	Communities	Development	Construction	Corporate	Total continuing operations	Housing	Consolidated Total
12 months ended 31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total sales revenue***	98,341	2,014	87,069	-	187,424	82,055	269,479
Interest revenue	347	2	27	810	1,186	39	1,225
Other revenue	17	1,549	-	-	1,566	7	1,573
<b>Total segment revenue</b>	<b>98,706</b>	<b>3,565</b>	<b>87,096</b>	<b>811</b>	<b>190,176</b>	<b>82,101</b>	<b>272,277</b>
Segment result	5,154	278	(29,088)	(8,165)	(31,821)	379	(31,442)
Net sale transaction costs	-	-	-	(133)	(133)	-	(133)
Takeover costs	-	-	-	(720)	(720)	-	(720)
Restructure costs	-	-	-	(415)	(415)	(1,173)	(1,588)
<b>Segment result</b>	<b>5,154</b>	<b>278</b>	<b>(29,088)</b>	<b>(9,433)</b>	<b>(33,089)</b>	<b>(794)</b>	<b>(33,883)</b>
Loss before income tax					(33,089)	(794)	(33,883)
Income tax expense					(2,380)	239	(2,141)
<b>Loss for the year</b>					<b>(35,469)</b>	<b>(555)</b>	<b>(36,024)</b>

#### As at 31 December 2015:

<b>Segment assets</b>	280,141	35,069	11,096	21,065	347,371	22,105	369,476
<b>Segment liabilities *</b>	42,553	6,783	38,856	50,937	139,129	17,542	156,671
<b>Other segment information</b>							
Investments in joint ventures	4,075	15,049	-	-	19,124	-	19,124
Share of net losses of joint ventures	(1)	(119)	-	-	(120)	-	(120)

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

\*\* During the financial year corporate costs/recharges ceased to be allocated to individual operating segments.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 33 EARNINGS PER SHARE

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

	31 December 2016 cents	31 December 2015 cents
Earnings per share for continuing operations	(24.7)	(22.3)
Total basic and diluted earnings per share	(23.9)	(22.7)

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

	31 December 2016 \$'000	31 December 2015 \$'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share		
Continuing operations earnings	(39,207)	(35,469)
Total earnings	(37,889)	(36,024)

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

	31 December 2016 Number	31 December 2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	158,730,556	158,730,556

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

#### Conversions, calls, subscriptions or issues since the reporting date

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

### 34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events which have occurred post 31 December 2016.

### 35 FINANCIAL RISK MANAGEMENT

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

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

#### (a) Interest rate risk

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

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. If the Group's core banking facility has a maturity date in excess of twelve months then it may maintain at least 50% of its borrowings at fixed rates using interest rate derivatives to achieve this. During the financial year ended 31 December 2016 and year ended 31 December 2015, the Group's borrowings at variable rates were denominated in Australian Dollars.

In past years the Group has managed its cash flow interest rate risk by using floating to fixed interest rate and other derivatives. Such interest rate derivatives had the economic effect of converting borrowings from floating rates to fixed rates. Under interest rate derivatives, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. As at December 2015 the Group ceased to hold any interest rate derivatives.

## 35 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Interest rate risk (continued)

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

	31 December 2016		31 December 2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	4.35%	17,290	5.77%	49,344
Net exposure to cash flow interest rate risk		17,290		49,344

### (b) Credit risk

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

#### (i) Credit quality

	December 2016 \$'000	December 2015 \$'000
<b>Trade receivables</b>		
Trade receivables	3,549	11,992
Other receivables	57,885	49,194
	61,434	61,186
<b>Cash at bank and short-term bank deposits</b>		
AA-	494	14,732
A-	369	972
	863	15,704

### (c) Liquidity risk

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

#### Financing arrangements

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

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
<b>Floating rate</b>		
Bank loans	13,785	24,471

The facility expires 31 March 2017 (refer Note 1(a) (iv))

Further access to facilities is available when appropriate assets are provided as security.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 35 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

##### Maturities of financial liabilities

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

##### Contractual maturities of financial liabilities

	Less than 6 months	Between 6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
At 31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>						
Trade payables	17,606	48,128	1,087	1,122	74	68,017
Interest bearing	17,510	-	-	-	-	17,510
<b>Total non-derivatives</b>	<b>35,116</b>	<b>48,128</b>	<b>1,087</b>	<b>1,122</b>	<b>74</b>	<b>85,527</b>

	Less than 6 months	Between 6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
At 31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>						
Trade payables	60,820	40,707	2,078	31	81	103,717
Interest bearing	1,710	49,907	-	-	-	51,617
<b>Total non-derivatives</b>	<b>62,530</b>	<b>90,614</b>	<b>2,078</b>	<b>31</b>	<b>81</b>	<b>155,334</b>

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

#### (d) Fair value measurements

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

The only financial assets and liabilities measured at fair value are derivatives used for hedging. All other financial assets and liabilities are measured at their carrying values which are considered to approximate fair value.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2016 and 2015 the Group held no derivatives.

### 36 DISCONTINUED OPERATIONS

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
Revenue	33,399	82,101
Expenses	(31,303)	(82,860)
<b>Operating income/(loss)</b>	<b>2,096</b>	<b>(759)</b>
Finance expenses	(213)	(35)
<b>Profit/(loss) before income tax from discontinued operations</b>	<b>1,883</b>	<b>(794)</b>
Tax (expense)/benefit	(565)	239
<b>Profit/(loss) after tax from discontinued operations</b>	<b>1,318</b>	<b>(555)</b>

Refer to Note 32 for more details on discontinued operations

The net cashflows incurred by the discontinued operations are as follows:

	12 months to December 2016 \$'000	12 months to December 2015 \$'000
Operating	3,300	(77)
<b>Net cash inflow/(outflow)</b>	<b>3,300</b>	<b>(77)</b>

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2016

In the Directors' opinion:

- (a) the Financial statements and notes of Devine Limited for the financial year ended 31 December 2016 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 2016 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 11 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 12.

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

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

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



**D P Robinson**  
Chairman

Brisbane  
22 February 2017

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEVINE LIMITED



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Devine Limited

Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Devine Limited (the Company), including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

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

- (i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2016 and of its consolidated financial performance for the year ended on that date; and
- (ii) 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have 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.

# INDEPENDENT AUDITOR'S REPORT

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## 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 statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### 1. Going concern

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

Why significant	How our audit addressed the key audit matter
<p>As at 31 December 2016, the senior finance borrowing facility of the Group was classified as a current liability due to its maturity on 31 March 2017.</p> <p>As noted in Note 1(a)(iv) to the financial statements, the Directors do not expect the Group to be compliant with the covenants of the ANZ Multi-option Facility (MOF) Agreement as at the 31 March 2017 covenant compliance testing date. Under the terms of the ANZ MOF Agreement, a breach of a financial covenant entitles ANZ to request repayment of the facility on demand. In such an event, the Group currently does not have the immediate capacity to repay the facility in full, nor does it have readily available alternate sources of liquidity.</p> <p>The availability of sufficient funding and the testing of whether the Group will be able to continue meeting its obligations under the financing covenants are important for the going concern assumption and, as such, are significant aspects of our audit. This assessment is largely based on the forecasts made by management and the Directors. These forecasts include the Directors' assumptions about future cash flows, forecast results and margins from operations, which are uncertain.</p>	<p>We enquired with the Group and assessed the completeness of Devine's liabilities, forecast timing and quantum of cash flows, and the assumptions used by the Group in assessing Devine's liquidity position and funding requirements.</p> <p>We evaluated the assumptions and forecasts made by the Group in the 2017/2018 Budget.</p> <p>In obtaining sufficient audit evidence, we:</p> <ul style="list-style-type: none"> <li>▶ Assessed the process undertaken to develop the Group's cash flow forecast that feeds into the budget at a project level, assessed the key assumptions for this forecast, and enquired with project managers for key projects.</li> <li>▶ Confirmed with the financier that the financial covenants applicable to the facilities were not required to be tested at 31 December 2016.</li> <li>▶ Assessed the Group's liquidity analysis.</li> <li>▶ Reviewed the Group's gearing levels on forecast projects.</li> <li>▶ We considered correspondence from the financier as part of this assessment.</li> </ul>

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## 2. Net Realisable Value (“NRV”) of inventory

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

Why significant	How our audit addressed the key audit matter
<p>The NRV 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 home-owners and investors. The Group undertakes a review of its land holdings and development projects to ensure each individual land holding or development project is valued at the lower of cost or NRV in accordance with Australian Accounting Standards - AASB 102 Inventories on a semi-annual basis. This test is significant for our audit, given the complexity of the estimation process, and the significant judgments made in the assumptions used in the estimates. The NRV is based on future cash flows, which depend on key assumptions relating to sales rates, land pricing, the expected date of completion, the level of debt used to finance the project and the estimation of future development costs.</p>	<p>We obtained the Group’s assessment of NRV over their portfolio, comprising land inventory, apartments and projects operated through joint ventures. In obtaining sufficient audit evidence, we:</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 NRV review against the forecast and business plan.</li> <li>▶ Enquired of the divisional development managers and General Managers to understand changes in key feasibility assumptions since the previous NRV assessment 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 Advisory and Valuation specialists to evaluate the key assumptions in these projects such as pricing, sales rates and escalation.</li> <li>▶ For sites identified for potential englobo sales, we assessed external market information including recent external valuations and estimates provided by sales agents for indicative sales prices.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT

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### 3. Recognition of revenues and profits on long-term construction contracts

Refer to Note 1(d) (iv), 1(h) (i), 2, 3, 28 and 31 of the financial statements

#### Why significant

In 2015, following a review of the Group's operations, Devine management identified a number of potential loss-making construction projects. The Group subsequently recognised estimated losses for each project.

At 31 December 2016, one of these construction projects was still ongoing and was due for completion in February 2017. Additional losses of \$8.5m were recognised in 2016 for the projects that were in progress during the period.

Devine recognises revenue on a percentage of completion method in accordance with Australian Accounting Standards - AASB 111 Construction Contracts. Accordingly, Devine remains exposed to additional cost fluctuations on non-committed subcontractor costs, as well as potential further liquidated damages due to potential delays in construction programs.

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

We obtained the Group's calculation of estimates associated with Devine's construction contracts, made enquires with the Group to understand their review process and the positions taken at balance date.

In obtaining sufficient audit evidence, for each material project we:

- ▶ Agreed the initial contract revenue to the Group's project calculation and obtained supporting documentation to assess any variations and claims.
- ▶ Assessed the completeness of contract costs, focusing on the estimates to complete at balance date.
- ▶ Obtained updates on the current status of the construction program and assessed whether liquidated damages from forecast delays were reflected in the forecast total project costs.
- ▶ Assessed external legal and insurance related correspondence and enquired with the Group to assess the positions taken on each project.

### 4. Revenue recognition and measurement

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

#### Why significant

Revenue is a Key Audit Matter because judgment is involved in determining at what point in time there is sufficient certainty for revenue to be recognised and in estimating the amount. This is particularly important for non-routine sales of major developments and projects, which may have a material impact on the results for the period

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

Our audit evaluated revenue recognised in accordance with Australian Accounting Standards - AASB 118 Revenue. To do this, we:

- ▶ Assessed the Group's design and operating effectiveness of key controls on the timing of revenue measurement and recognition.
- ▶ Tested material sales transactions and a sample of sales transactions taking place before and after the balance sheet date to check whether those transactions were recognised in the correct period.

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- ▶ Assessed revenue recognised from non-routine sales, such as englobo sales, sales of Devine's share in Joint Ventures, and sales of larger parcels of land within developments such as retail and school sites, to evaluate whether the recognition complied with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board.
- ▶ Tested manual journal entries posted to assess that revenue journals were appropriately approved and had supporting evidence.
- ▶ Assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition.

#### Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2016 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report. We expect to obtain the Chairman's and Chief Executive Officer's Review, the Corporate Governance Statement and the Shareholder Information after the date of our auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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 on the other information obtained prior to the date of this auditor's report, 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.

#### Directors' Responsibilities 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITOR'S REPORT

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## 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 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 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. 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 an entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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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 Remuneration Report

#### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Devine Limited for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

#### Responsibilities

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

Ernst & Young

Ric Roach  
Engagement Partner  
Brisbane  
22 February 2017

# SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 9 MARCH 2017.

## A. DISTRIBUTION OF EQUITY SECURITIES

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

Holding	Class of equity security			
	Ordinary shares		Performance rights	
	Holders	No of shares	Holders	No of performance rights
1-1,000	645	184,067	-	-
1,001 - 5,000	513	1,238,162	-	-
5,001-10,000	151	1,140,181	-	-
10,001-100,000	269	7,370,768	-	-
100,001 and over	51	148,797,378	1	42,447
	1,629	158,730,556	1	42,447

There were 733 holders of less than a marketable parcel of ordinary shares (\$500)

## B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders.

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

Name	Ordinary Shares	
	Number held	Percentage of issued shares
CIMIC Residential Investments Pty Ltd	93,831,265	59.11
Brazil Farming Pty Ltd	31,326,395	19.74
J P Morgan Nominees Australia Limited	5,496,373	3.46
Luton Pty Ltd	2,705,230	1.70
HSBC Custody Nominees (Australia) Limited	2,468,033	1.55
Mr Sean Anthony Dennehy	1,218,142	0.77
Citicorp Nominees Pty Limited	965,277	0.61
Hugh Green Foundation	860,000	0.54
Mr Gerald Francis Pauley + Mr Michael James Pauley <Pauley Super Fund A/C>	725,707	0.46
Mr Graham Neil Stuckley + Dr Kathryn Diane Arthurson <G Stuckley Super Fund A/C>	636,606	0.40
Broadmeadows Nominees Pty Ltd <Gilbert Family S/F No 3 A/C>	592,527	0.37
Golden Venture Pty Ltd <The Tirman Super Fund A/C>	500,000	0.31
Mr Steven Fahey + Mrs Lynette Fahey <SF Super Fund A/C>	424,872	0.27
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	405,831	0.26
BNP Paribas Noms Pty Ltd <DRP>	402,213	0.25
Mr John Robert Dillion	400,000	0.25
Bond Street Custodians Limited <Forager Wholesale Value FD>	380,741	0.24
John E Gill Trading Pty Ltd	353,391	0.22
Savoir Superannuation Pty Ltd <Locope Super Fund A/C>	350,000	0.22
Takita Exploration Pty Limited	306,154	0.19
	144,348,757	90.92

## C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

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

## D. VOTING RIGHTS

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

### Ordinary shares

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

### Performance rights

No voting rights.



**Devine**  
GROUP

**Devine Limited**  
ABN 51 010 769 365

Level 2, KSD1,  
485 Kingsford Smith Drive,  
Hamilton, QLD 4007

PO Box 780,  
Hamilton Central, QLD 4007

P (07) 3608 6300

F (07) 3608 6333

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