



2014 ANNUAL REPORT

DIRECTORS

P J Dransfield (Chairman)
D B Keir (Managing Director and CEO)
J S Downes
Hon. T M Mackenroth
G E McOrist
I Frost
J D Cummings

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

C G Bellamy

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 1, 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

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

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ANNUAL GENERAL MEETING

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

Level 1, KSD1, 485 Kingsford Smith Drive, Hamilton, Brisbane

Time: 10:30am

Date: Wednesday 27 May, 2015

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

Transformation has been the theme behind Devine's result in 2014. The improved profit result for the year is the outcome of the initiatives implemented by the Company in response to its disappointing result in the prior period. These included activation of the capital recycling plan reducing debt by nearly \$80 million, exiting a number of marginal projects via partial or complete sale of these holdings, accelerating the trade out of impaired projects, and structural and operational changes to reduce overheads.

Many of the residential markets where the Company operates recorded strong improvement in activity as the year progressed, aided by the record low interest rates, however underlying market confidence remains cautious due largely to job security concerns. The Company is remaining responsive to the market environment via its diversity strategy. Whether by geography, product, market or sales channel; the Company continues to pursue active residential segments to maintain healthy trading volumes for its core businesses.

FINANCIAL RESULTS

The Company result reflects outcomes from significant reforms undertaken, with a pre-tax operating profit of \$10.02 million for the year, in line with the guidance provided to the market. The result is after costs of \$1.6 million relating to the Company sale process have been expensed and was achieved on revenue from operations of \$333.5 million; compared to \$139.4 million for the six month transitional reporting period ending 31 December 2013.

Total assets for the Group stood at \$386.7 million as at 31 December 2014 with a significant decrease in debt. Gearing levels have been reduced further to 15.4% as an outcome of the capital recycling plan while throughout the year the Company delivered a positive operating cash flow surplus of \$46.7 million.

The Company is continuing to discuss its current debt facilities and the guarantee provided by Leighton Holdings, the Company's major shareholder, with ANZ. Any decision on the extension of this facility will occur once further clarity is available on the Company sale process.

While the return to profitability signals that the Company has successfully repositioned itself, the Company is continuing to set a platform for sustainable profit growth into the future. In light of this and the current status of the sales process, Directors did not declare a final dividend.

COMPANY SALE PROCESS

As previously announced the Directors were advised by the majority shareholder Leighton Holdings Limited in June 2014 that it was seeking a potential purchaser of its 50.6% investment in Devine.

As a result the Directors determined that a Company led process examining the sale of all shares was warranted.

Goldman Sachs were appointed as advisors to lead the process.

The expression of interest process commenced in mid 2014 and a number of interested parties were granted access for due diligence, subject to appropriate confidentiality agreements with final bids provided in November and further amended bids received in late December 2014.

A number of conditional bids have been received and the Company is continuing to negotiate with these groups.

BUSINESS REVIEW & STRATEGY

As a result of specific actions implemented to improve the Company's financial results and trading performance, the following outcomes were recorded:

- › A capital recycling plan was implemented which resulted in the sale of the Company's interests in a number of assets;
- › Improved profitability achieved in three key business units; across Communities, Development and Construction. While losses were incurred in the Housing business, improvements were achieved in a number of key business metrics in this area of operations;
- › Growth opportunities were advanced with new apartment opportunities in Brisbane now under contract, a 200 allotment infill project in Adelaide was secured and an additional \$100 million of construction contracts were awarded and executed;
- › Trading levels increased across projects in South East Queensland and Victoria, however weaker trading conditions persisted in South Australia and Gladstone.

The Company remains focussed on sustainable earnings growth by:

- › Expanding of the Company's apartment business with new project opportunities of varying scale;
- › Synchronising the companies housing and communities businesses, and leveraging the capabilities within these operations with a focus on shorter term 'build out' opportunities and an expansion of medium density project capabilities;
- › Developing Devine Constructions' core competencies in mid to high rise residential construction to achieve a balanced and controlled expansion;
- › Levering the Company's balance sheet and low gearing to fund improved profit outcomes.

The Company remains focussed on ensuring all areas of its operations, both product and geography, are sustainable and continues to actively review its operating platform. Ensuring an appropriate and sustainable operating platform is in place remains a key priority for the Board and management team.

COMMUNITIES

The Company reported 857 annual land settlements nationally, with a notable uplift in the second half from areas of Queensland and Victorian markets. Sales performance has also improved in these areas, providing for a positive FY15 carry-in with 40% of next year's forecast land settlements secured.

The business is also pleased to announce that it concluded negotiations to purchase a 200 dwelling infill project in Adelaide's eastern suburbs; which, subject to the timely receipt of relevant approvals, is expected to commence sales in the second half of 2015.

Planning approvals were also received for the initial release of allotments at the Company's Western Lands site at Redbank Plains, Queensland in early 2015. The 912 allotment community will be known as Eden's Crossing.

HOUSING

Housing starts for the 12 months ended December 2014 were 609; compared to 246 starts for the prior six month comparative period ended December 2013. The Company concluded the year with 31% of its targeted FY15 starts secured.

While structural changes to the housing operation are generating productivity gains, profitability has been impacted by the status of the aged pipeline of housing starts in some regions. This is particularly evident across projects where the Company is not responsible for the development of the land.

The Company's development of new medium density product solutions has been enthusiastically received in all regions. Looking to 2015, the Company intends to apply greater focus in this area of housing development.

The wholesale building opportunities with select clients continued to supplement the housing business throughout 2014. This activity will continue to be selectively expanded to provide an alternative client base in some challenging markets.

DEVELOPMENT

Devine's apartment development business recorded 136 settlements for the year. The settlement result was highlighted by two milestones, with the first settlements in the Company's DoubleOne3 apartment project and the final settlement of developed apartments at Hamilton Harbour.

The Company released its Mode Apartments project for pre-sale early in the year, with 65% of the 157 apartment project now sold.

It is expected that construction of the project will commence in March 2015.

The Company also completed the sale of its share of a 2.25 hectare apartment project site in Parramatta, New South Wales. The sale of the site realised a significant uplift in value brought about by the strengthening New South Wales market. The sale and settlement of this site, added to the return of capital to the business that was realised via the settlement of the Camelot development site in Brisbane, and KSD1 and Central Retail building in Hamilton Harbour.

The Company's development capability was awarded throughout the year with the Hamilton Harbour development recognised nationally in separate awards as the best mixed use development by the National Property Council and the Urban Taskforce; as well as Queensland's best large residential apartment project by the Urban Development Institute of Australia.

CONSTRUCTION

The Company's major construction business, Devine Constructions, has continued to extend its reach into the apartment construction market in Brisbane being successfully awarded two new construction contracts for external clients throughout the year.

The new contracts include the 277 apartment Westmark Milton for Walker Corporation and the 136 apartment 38 High Street project for Serra Property Group. The new contracts help maintain a strong construction pipeline for the business as projects are completed.

The Company currently has a construction 'work-in-hand' of over \$183 million.

Construction was completed on the Company's DoubleOne3 apartment project in June enabling settlements to proceed as programmed. Works continued on programme toward the 2015 completion dates of the 144 apartment Vida project and the 143 apartment Alex Perry Residential project, both in Brisbane.

There also continues to be a strong pipeline of potential work with new construction project currently being considered by the business.

BOARD COMPOSITION

Terry Mackenroth has notified the Company that he intends to retire at the Annual General Meeting in May this year. Mr Mackenroth has served on the Board for nearly 10 years and has made a significant contribution to the Company over this time. The Directors and staff wish to thank him for his contribution and wish him well in his future endeavours.

Ian Frost who was appointed to the Board in May 2014 has also announced he will retire in April this year. The Board thanks Ian for his contribution and again wishes him well in his retirement.

An update to the composition of the Board will be discussed at the AGM.

OUTLOOK AND FOCUS

A conclusion to the Company sale process over the next short period will assist in providing certainty to all shareholders, lenders, partners and staff. The conclusion of this process, whether leading to a sale outcome or not, remains a priority for the Directors.

As we look forward to the trading performance of the Company, there remains some good depth in the residential markets in south-east Queensland and Victoria that will provide a solid foundation for 2015. Further there are signs that the residential property market in South Australia is rebounding following a very challenging 2014.



P J Dransfield
Chairman



D B Keir
Managing Director and CEO

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Devine Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014.

DIRECTORS

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

P J Dransfield (Chairman)

D B Keir (Managing Director and CEO)

J S Downes

Hon. T M Mackenroth

G E McOrist

I Frost (appointed 28 May 2014)

J D Cummings
(appointed 28 May 2014)

R W Parris (resigned 28 May 2014)

V A Vella (resigned 28 May 2014)

T G Young (resigned 23 April 2014)

CHIEF FINANCIAL OFFICER

C G Bellamy
(appointed 31 March 2014)

P V Cochrane
(ceased to be Chief Financial Officer 31 March 2014)

COMPANY SECRETARY

C G Bellamy
(appointed 12 August 2014)

P V Cochrane
(resigned 12 August 2014)

INFORMATION ON DIRECTORS

P J Dransfield - Chairman

Experience and expertise

Mr Peter Dransfield has been an independent non-executive Director since April 2010. Peter has 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. Peter is also an adviser to Pepper Property, a Director of Australian Industrial REIT and Chairman of several Landcom joint ventures.

Other current directorships (listed entities)

Australian Industrial REIT
(appointed 4 June 2013)

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Chairman of the Board
Chairman of the Remuneration and Nomination Committee

Interests in shares and options

100,000 ordinary shares
in Devine Limited

D B Keir – Managing Director and CEO

Experience and expertise

Mr David Keir has been an executive Director since April 2010. David has over 25 years' experience in the property industry in town planning, project management, operations and construction. He has an in-depth understanding of acquisition, funding, development, sales and marketing. Prior to joining Devine in 2010 he spent over 16 years working in a variety of roles at Delfin Limited and Delfin Lend Lease, including as CEO. David holds a Bachelor of Applied Science, Built Environment as well as post graduate qualifications in Town Planning and Project Management.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Managing Director and Chief Executive Officer
Member of the Remuneration and Nomination Committee (executive remuneration only)

Interests in shares and options

17,500 ordinary shares
in Devine Limited

787,750 options over ordinary shares in Devine Limited

J S Downes - Director**Experience and expertise**

Ms Judith Downes joined the Devine Board as an independent non-executive Director on 1 January 2013. She has extensive experience in accounting and finance having previously held senior roles in those fields including CFO of Alumina Limited and CFO and Chief Operating Officer, Institutional Division for the Australia and New Zealand Banking Group Limited. Judith has also held a number of professional appointments including having recently completed seven years as a member of the IFRS Advisory Council of the International Accounting Standards Board. She is Chairman of bankmecu, Australia's first customer owned bank.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

Alumina Limited (alternate Director, appointed 29 January 2009 resigned 24 August 2011).

Special responsibilities

Member of the Audit Committee

Member of the Remuneration and Nomination Committee (appointed 7 May 2014)

Interests in shares and options

55,000 ordinary shares in Devine Limited

Hon. T M Mackenroth – Director**Experience and expertise**

Hon. Terry Mackenroth has been an independent non-executive Director since September 2005. Terry is a former Queensland Deputy Premier and Treasurer and was the Minister for State Development, Communication & Information, Housing, Planning & Local Government, Regional & Rural Communities and Sport. He was responsible for establishing the Office of Urban Management and oversaw the South East Queensland Regional Plan and the South East Queensland Infrastructure Plan. Terry is currently a Director of the Queensland Rugby League and Chairman of the Camp Hill Carina Welfare Association.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Member of the Audit Committee (appointed 6 May 2014)

Interests in shares and options

52,353 ordinary shares in Devine Limited

G E McOrist – Director**Experience and expertise**

Mr Graeme McOrist has been a non-independent non-executive Director since April 2007. Graeme worked at Leighton Holdings Limited from 1969 until his retirement in January 2006. Graeme was involved in and responsible for a number of areas of the Leighton business including accounting, treasury, project finance, mergers and acquisitions and risk management. He was also involved in securing and executing a number of major infrastructure projects in Australia and South East Asia. He is a Director of Gemco Investments Pty Ltd, Gemco Advisory Pty Ltd and Southern Way Holdings Pty Ltd.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Chairman of the Audit Committee

Interests in shares and options

60,402 ordinary shares in Devine Limited

DIRECTORS' REPORT

CONTINUED

I Frost – Director (appointed 28 May 2014)

Experience and expertise

Mr Ian Frost has 40 years' experience in the property industry, with experience across a range of related disciplines including valuation, project management, development management, property management, commercial leasing, sales and acquisition, and investment funds management. Ian has worked for several major Australian property fund management groups involved in the establishment, marketing and management of listed and unlisted investment vehicles. Retiring from full time employment in 2006, Ian undertook independent consulting roles, holding positions on investment committees and advisory boards relating to property investment and financial products, and management companies. Ian is a former Director of Leighton Properties Pty Ltd, and a current member of the Leighton Properties Pty Ltd Advisory Board; a position he has held since November 2012. He is also a volunteer adviser with Australian Business Volunteers, an AusAID funded body.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

None

Interests in shares and options

None

J D Cummings – Director (appointed 28 May 2014)

Experience and expertise

Mr Jeff Cummings has been actively involved in the housing and urban development industry for over 26 years. In this period Mr Cummings' roles have provided experience across all facets of urban development; including investment and acquisition, design and development, construction management and project management. Jeff is the former New South Wales General Manager for Pioneer Homes Australia; a role he fulfilled for six years prior to the takeover of the business by Devine Limited in 1997. He is a founding director of private property consultancy firm, The Urban Partnership. In this capacity Jeff worked as project manager for the land development activities of Landco Developers in NSW; including the sale of the Interciti joint venture project with Landcom and the State Rail Authority. Jeff has an impressive career in various consulting roles for private developers, NSW Health and the NSW Governments' development agency, UrbanGrowth NSW (formerly Landcom).

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Member of the Remuneration and Nomination Committee
(appointed 25 June 2014)

Interests in shares and options

None

INFORMATION ON MANAGEMENT

CHIEF FINANCIAL OFFICER (CFO) AND COMPANY SECRETARY

C G Bellamy (Appointed CFO 31 March 2014 and Company Secretary 12 August 2014)

Mr Bellamy has a depth of property and finance experience having most recently been the Chief Executive Officer of Trinity Limited until his resignation. Craig was previously the CFO of Trinity Limited and AMP Capital Meridien Lifestyle. Mr Bellamy holds a Bachelor of Business (Accounting) and is a qualified Chartered Accountant.

P V Cochrane (Ceased to be CFO 31 March 2014 and resigned as Company Secretary 12 August 2014)

Mr Paul Cochrane joined Devine in 2009 and as Chief Financial Officer managed the Company's corporate and financial strategies.

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		Remuneration and Nomination	
	A	B	A	B	A	B
P J Dransfield	14	14	**	**	1	1
D B Keir	13	14	**	**	1	1
J S Downes	14	14	5	5	1	1
Hon. T M Mackenroth	14	14	4	4	**	**
G E McOrist	14	14	5	5	**	**
I Frost	7	9	**	**	**	**
J D Cummings	9	9	**	**	**	**
R W Parris	5	5	1	2	**	**
V A Vella	5	5	**	**	***	***
T G Young	3	3	**	**	***	***

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:

- › Housing – Home building;
- › Communities – Land development;
- › Development – Apartment and mixed use projects; and
- › Construction – Residential apartment construction.

There were no significant changes in the nature of the activities of the Group during the year.

DIVIDENDS

There were no dividends declared or paid to members during the December 2014 financial year.

OPERATING AND FINANCIAL REVIEW

1. About Devine

Devine 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.

Devine's property experience extends across community development and creation, home building and apartment and mixed use projects. In addition, the Company includes a dedicated construction business, established to maximise efficiencies and ensure the timely delivery of major projects.

With operations established throughout Queensland, Victoria and South Australia and having re-entered the New South Wales market in 2013, Devine has been responsible for providing homes and apartments for more than 25,000 Australian families since listing on the Australian Securities Exchange in 1993.

As a leader in the Australian housing and property development industry, the Company is committed to providing quality housing choices and residential developments that people are proud to call home.

The Company aims to create vibrant communities in which all who play a role, whether in their design, development or enjoyment, can be proud. In achieving this goal Devine has established an enviable reputation for the delivery of innovative modern homes that meet the needs of Australians today and into the future.

Devine has over \$2.0b worth of major projects planned and underway. As at 31 December 2014, Devine's residential development pipeline included the equivalent of approximately 10,000 future dwellings.

DIRECTORS' REPORT

CONTINUED

2. Business Units

A summary of consolidated revenues and results for the year by operating segment is set out below:

	Segment revenues		Segment results	
	12 months to December 2014 \$'000	6 months to December 2013 \$'000	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Segment results before tax				
Housing	116,386	60,622	(4,761)	(7,457)
Communities	125,092	46,513	8,200	(71,324)
Development	14,268	23,268	7,122	(4,040)
Construction	86,752	9,888	3,035	(233)
Other *	1,811	603	(3,574)	(1,951)
Total	344,309	140,894	10,022	(85,005)
Profit/(loss) before income tax			10,022	(85,005)
Income tax (expense)/benefit			(6,423)	12,028
Profit/(loss) for the year			3,599	(72,977)

*Net sale transaction costs of \$1.6m is included in Other segment result

3. Strategy and New Opportunities

The Company has delivered upon its undertakings in response to the December 2013 results, and continues to focus on rebuilding its development and construction pipeline and achieving strong medium and longer term results.

The response included:

- › implementing the capital recycling plan reducing debt by \$79.6m;
- › initiating the exit of a number of marginal projects via partial or complete sale of some holdings; such as Sandstone Lakes, Mountview Stage 8, Western Lands (South), and Lakeland at Pakenham;
- › accelerating the trade-out of previously impaired projects;
- › structural and operational changes to the Company's housing business that, while there is further improvement expected, have already provided for improved performance as the current lower margin work-book is reduced;

- › successfully pursuing new higher margin opportunities in selected markets; such as the 200 dwelling infill opportunity in Adelaide's eastern suburbs, and a preferred position on two near city apartment development opportunities in Brisbane.

Looking ahead, the strategy remains focused on:

- › expanding the Company's apartment development business via new project opportunities of varying scales;
- › replenishing the community development portfolio within geographic zones the Company currently operates;
- › leveraging the Company's housing and land capability to enable the delivery of smaller, shorter-term build out opportunities, with a focus of expanding medium density capability;
- › refining the housing business operating model;
- › the balanced expansion of Devine Constructions, based on its core competencies in the delivery of mid to large scale apartment projects.

4. Company sale update

As previously announced the Directors were advised by the majority shareholder Leighton Holdings Limited in June 2014 that it was seeking a potential purchaser of its 50.6% investment in Devine.

As a result the Directors determined that a Company led process examining the sale of all shares was warranted. Goldman Sachs were appointed as advisors to lead the process.

The expression of interest process was concluded at the end of August 2014 and a number of proponents were granted access for due diligence, subject to appropriate confidentiality agreements with final bids provided in November 2014.

A number of conditional bids have been received and the Company is continuing to negotiate with these groups. Whilst these negotiations are ongoing, we re-iterate that there are no assurances that a sale will be finalised.

5. Financial Results

The current reporting period is for a 12 month period from 1 January 2014 to 31 December 2014. As at 31 December 2013 in accordance with the requirements of the *Corporations Act 2001* Devine changed its financial year end from 30 June to 31 December to be in line with the reporting period of its major shareholder. Hence the prior reporting period is a 6 month period, 1 July 2013 to 31 December 2013.

The following is a summary of the results that were recorded for the financial year ended 31 December 2014:

- › Total revenue of \$344.3m (compared to \$140.9m for the 6 months to December 2013);
- › Statutory profit before tax of \$10.0m (compared to a loss of \$85.0m for the 6 months to December 2013);

- › Gearing levels reduced to 15.4% as a result of capital recycling plan (net debt/ total assets less cash);
- › No dividend has been declared during the 12 month period to December 2014.

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Revenue from operations	333,498	139,374
Statutory profit (loss) before tax	10,022	(85,005)*
Gearing	15.4%	31.3%
Net tangible assets - \$ per share	\$1.55	\$1.52
EPS - cents per share	2.3c	(46.0)c

*The 2013 financial report disclosed an underlying pre-tax loss of \$15.0m prior to impairments, write-down of inventory and restructuring costs of \$70m before tax. Impairment reversals of \$3.9m are included within the 2014 statutory profit before tax.

DIRECTORS' REPORT

CONTINUED

Comments on operations and operating highlights

The following key trading statistics were achieved in the financial year ended 31 December 2014:

- › Residential land settlements: 857
- › Housing starts: 609
- › Apartment settlements: 136
- › Construction revenue: \$86.8m

2014 was characterized as a year to rebuild the performance of Devine following the impairments taken against a number of underperforming assets in late 2013.

The sustained recovery of the business remains on track with 40% of 2015 budgeted land settlements secured and 31% of 2015 budgeted home starts secured as at 31 December 2014. The Company has also sourced a strong pipeline of new project opportunities in varying stages of the acquisition process.

Key operating highlights for the period include:

- › Achieving settlement of the final developed apartments at Hamilton Harbour;
- › Development application lodged for the remaining residential stage at Hamilton Harbour (approximately 225 apartments);
- › Mode Apartments project released with 65% of apartments pre sold, the project is expected to commence construction in March 2015;
- › Settlement of 102 of 111 apartments in the DoubleOne3 Apartments project;
- › Sale and settlement of the Company's 50% interest in the Parramatta project opportunity;
- › Settlement of the Camelot development site in Brisbane CBD, and KSD1 and Central Retail building in Hamilton Harbour;
- › Hamilton Harbour recognised nationally as the best mixed use development by both the National Property Council and the Urban Taskforce, as well as Queensland's best large residential apartment project by the Urban Development Institute of Australia;
- › Concluded negotiations to purchase site for 200 dwelling infill project in Adelaide's eastern suburbs;
- › Planning approvals secured for development of Western Land project (Redbank Plains, Qld). The 912 lot community to be known as Eden's Crossing will launch in early 2015;
- › Accelerated delivery program has progressed three projects (Woodvale, Edenbrook and Lakeside) to near completion, with final settlements scheduled for early 2015;
- › Structural changes to the housing operation are generating productivity gains;
- › Wholesale building operations have continued to provide an alternative client base in challenging markets, particularly in the competitive Melbourne market;
- › Favourable market response to the Company's new housing products including the Devine Cottage, Evolution Home and a range of 'auxiliary' living terrace homes;
- › Devine Constructions awarded two (2) new external client construction contracts; the 277 apartment Westmark Milton and the 136 apartment 38 High Street project, both in Brisbane;
- › Commenced construction of 144 apartment Vida development and 143 apartment Alex Perry Residential project, with both projects progressing on program to their respective 2015 completion dates;
- › Completion by Devine Constructions of the Company's DoubleOne3 apartment project enabling settlements to commence from July 2014; and
- › Construction work-in-hand of \$183 million to be delivered over the next two years.

6. Going concern

The Group generated a profit after tax for the financial year of \$3.6m and has incurred losses in the previous two financial years. However at 31 December 2014, the Group had net assets of \$248.6m and cash and cash equivalents of \$18.1m and net current assets of \$25.2m.

As at 31 December 2014, the senior finance facility of the Group has been classified as a current liability due to its maturity being 31 August 2015. Total drawn debt under the facility as at 31 December 2014 was \$78.3m including bank guarantees. The Directors believe the going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities as and when they fall due is appropriate. Refer Note 1(a) (v) of the consolidated financial statements for further details.

7. Market conditions

Market conditions improved in most markets throughout 2014 with solid gains in total dwelling commencements recorded. However, historically low interest rates and reduced pressures on the cost of living have done little to turnaround business and consumer confidence.

Despite the low interest rate environment, affordability pressures remain with the First Home Buyer segment competing with property investors. Both consumer confidence and retail spending remain flat while purchasers remain cautious as job security remains a concern.

Queensland:

Residential market conditions have continued to improve in south-east Queensland as this market sustains its recovery. Regional markets in Queensland, particularly those related to the mining sector slowed significantly through CY14. While these markets still face some challenges there are signals that they are experiencing improvement. While the residential apartment market in Queensland is continuing to perform well with multi-unit building approvals up 4.5% in CY14, total residential approvals were up 10.7% on the prior year.

Victoria:

The Victorian property market has continued to perform strongly throughout 2014, buoyed by strong approvals for the apartment development sector. Financing for new home construction remains healthy, suggesting that new home building activity in Victoria will be sustained throughout 2015.

South Australia:

The new home market in South Australia eased throughout 2014 following the conclusion of the State's Home Building Grant in late 2013 with dwelling commencements in South Australia lagging behind the recovery experienced in most other markets. However, this market is recording some positive recovery with new dwelling approvals improving late in 2014.

8. 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 monthly updates provided to the Devine Board when a specific risk event occurs. 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 Devine business, whilst not exhaustive, include:

Trading and Operations Risks

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

Strategic and Market Risks

Devine 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. In order to monitor the potential impact of these external factors, Devine receives regular updates from economists and other experts, and considers the impact of forecast changes on the business plan.

DIRECTORS' REPORT

CONTINUED

8. Risk management (continued)

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 Devine:

- › ensures it has 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 have commenced but finalisation of this process has been delayed due to the ongoing Company sale process. The Directors believe the ownership of the Company will be resolved before 31 August 2015 with sufficient time to renegotiate a new senior debt facility.

Other Risks

Other areas of risk that are faced by Devine 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 Devine's administrative functions due to a fire, flood or other major event occurring to one of its offices.

9. Outlook

Devine has repositioned itself over the past 12 months through the capital recycling plan to move forward with certainty regarding its future growth potential.

A conclusion to the Company sale process will assist in providing certainty to all shareholders, lenders, partners and staff. The conclusion of this process, whether leading to a sale outcome or not, remains a priority for the Directors.

EARNINGS PER SHARE

	12 months to December 2014 Cents	6 months to December 2013 Cents
Basic and diluted earnings per share		
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	2.3	(46.0)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no significant events which have occurred post 31 December 2014.

ENVIRONMENTAL REGULATION

The Company's activities are 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 undertaken in compliance with these requirements.

WORKPLACE HEALTH AND SAFETY

The nature of the industry in which Devine operates means there is a risk of incidents and injuries occurring on our developments. Devine'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 site inspections and audits to ensure our contractors,

consultants and suppliers are adhering to Devine'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 2014 there were three notifiable incidents across the Devine Group (December 2013: nil).

DIVERSITY POLICY

Devine's Diversity policy details the key elements of the Company's commitment to diversity and also recognises the need to set diversity objectives that can be articulated and measured. A copy of the Diversity Policy is available on the Board and Governance section of the Devine website. The policy addresses the following key factors as they relate to diversity:

- › Devine's corporate culture;
- › Devine's commitment to diversity;
- › Measurable objectives;
- › Annual disclosure to shareholders; and
- › The role of the Remuneration and Nomination Committee.

Whilst the policy addresses the importance of diversity including in relation to age, ethnicity, culture as well as gender, these measurable objectives focus primarily on gender diversity.

Measurable Objectives

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following measurable objectives in relation to gender diversity. A number of factors have been considered in setting the measurable objectives and these include:

- › The historic nature of the industry in which Devine operates in respect to gender diversity;
- › The current level of gender diversity in the Devine Group, particularly at senior management level;
- › Where gender gaps exist in the Company's management and general workforce;
- › The level of female representation on the Devine Board;
- › The importance of having procedural measures in place to foster diversity;
- › Establishing effective monitoring systems to assist in meeting the Company's diversity objectives; and
- › That overriding the desire for greater gender diversity across the Devine Group is the need to ensure that at all times the best person is recruited or promoted to fill a particular position.

The following measurable objectives were framed in the context of the above objectives:

Female representation	At 31 December 2014		
	Total Directors/ Employees	Females	Target representation
Employment group			
Board including MD & CEO	7	1	1 female Director
Senior executives	7	1	2 female senior executives
Management	40	9 (23%)	25%
Balance of workforce	138	58 (42%)	40%

DIRECTORS' REPORT

CONTINUED

DIVERSITY POLICY (CONTINUED)

Monitoring and Implementation

The Remuneration and Nomination Committee has direct responsibility on behalf of the Board for overseeing the implementation of the Diversity policy and achievement of the diversity targets. This is a standard agenda item at each committee meeting and, in addition, a report on diversity is included in the monthly Board papers.

Notification under Workplace Gender Equality Act 2012

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Devine Limited on 23 May 2014 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 above. In the opinion of the Directors, further information, including expected future results, would prejudice the interests of the Company.

LOANS TO DIRECTORS AND EXECUTIVES

No loans were secured or made to Directors and executives during the financial year ended 31 December 2014 (December 2013: Nil).

INSURANCE OF OFFICERS

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

INDEMNIFICATION OF AUDITORS

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

NON-AUDIT SERVICES

The Company may decide to employ the external auditor (Ernst & Young) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or 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 2014 \$	6 months to December 2013 \$
Ernst & Young		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	350,000	172,250
Other assurance and technical accounting services	98,500	44,480
Other services*	301,818	-
Tax compliance and advisory services	30,688	27,138
Total auditors' remuneration	781,006	243,868

* Financial vendor due diligence costs incurred due to the Company sale process.

REMUNERATION REPORT (AUDITED)

This remuneration report for the financial year ended 31 December 2014 outlines the remuneration arrangements for the Company and 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:

1. Introduction;
2. Remuneration governance;

3. Remuneration arrangements;
4. Executive remuneration outcomes for the December 2014 financial year; and
5. 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 Managing Director and Chief Executive Officer (Managing Director & CEO), and other senior executives of the Company and the Group.

Directors and key management personnel disclosed in this report

Name	Position
For non-executive and executive Directors - see information on Directors within this report	
Other KMP	
C G Bellamy	Chief Financial Officer (appointed 31 March 2014) and Company Secretary (appointed 12 August 2014)
P V Cochrane	General Manager Investments – appointed 30 January 2014 Chief Financial Officer – ceased 31 March 2014 Company Secretary – resigned 12 August 2014 Resigned from Devine Limited 30 September 2014
A S Brimblecombe	General Manager: Communities
C C Mana	General Manager: Development
S G Norris	General Manager: Housing
M Tucker	General Manager: Construction

2. Remuneration governance

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

The Remuneration and Nomination Committee's approach is to take account of the employment market conditions and to link the nature and amount of the executive Director's and senior 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 key 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.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee:

- › is made up of a majority of non-executive Directors with the Managing Director & CEO attending with regard to other executives;
- › is responsible for reviewing and determining the compensation arrangements and employment conditions for the Directors, the Managing Director & CEO, and the executive team; and
- › monitors and reviews the performance hurdles associated with incentive plans as appropriate.

DIRECTORS' REPORT

CONTINUED

REMUNERATION REPORT (AUDITED) (CONTINUED)

Use of remuneration consultants

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

No remuneration consultants were engaged in the financial year.

Remuneration report approval at the CY2013 AGM

The remuneration report for the year ended 31 December 2013 received positive shareholder support at the AGM held in May 2014 with a vote of 96.7% in favour.

3. Remuneration arrangements

In accordance with best practice corporate governance, the structure of remuneration for the non-executive Directors and senior 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 cost of any 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 Directors. 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 are encouraged by the Board to hold shares in the Company (purchased by Directors on market within appropriate trading windows) as it is considered good corporate governance for Directors to have a financial stake in the Company.

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 Director and executive management 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 Remuneration and Nomination Committee considers market levels of remuneration for comparable executive roles and, from time to time, engages external consultants to provide comparative information and advice.

The last review occurred in 2012 as the committee is of the view that there has been no significant change in the employment market and levels of senior executive remuneration.

Accordingly the Remuneration and Nomination Committee 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
Managing Director & CEO	48%	28% 60% of fixed remuneration	24% 50% of fixed remuneration
CFO & Company Secretary	57%	23% 40% of fixed remuneration	20% 35% of fixed remuneration
GM: Communities GM: Development GM: Housing	57%	23% 40% of fixed remuneration	20% 35% of fixed remuneration
GM: Constructions	77%	23% 30% of fixed remuneration	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 Remuneration and Nomination Committee 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 is reviewed annually by the Remuneration and Nomination Committee and the process consists of reviewing individual performance and considering comparative remuneration on offer in the market place.

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 (primary) 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. Where remuneration is made by way of a fringe benefit, the cost of the applicable fringe benefits tax is absorbed by the executive.

Certain key executives were provided with an additional benefit in the form of a retention bonus when it was considered that the Company and its shareholders would benefit from providing the executive with an additional incentive for the employee to remain with the Group. 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.

The retention bonus scheme ceased on the 1 July 2012 and no further grants have been made since.

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. It also incorporates a sliding scale element whereby executives who outperform their financial targets are rewarded appropriately. The aggregate of the annual STI payments available to executives across the Company is subject to the approval of the Remuneration and Nomination Committee. Entitlements historically have been paid by way of a cash bonus.

The structure of the STI program is under review and in future may include a deferred portion for a specified period of any STI payable for the year. The Remuneration and Nomination Committee may have the discretionary ability to clawback all or part of the deferred portion in certain circumstances.

DIRECTORS' REPORT

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration - Short Term Incentive (STI)

Structure (continued)

In brief, the existing Executive STI program operates as follows:

- › Payment of the STI reward is dependent upon final approval by the Remuneration and Nomination Committee.
- › 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:
 - › Managing Director & CEO - 60% of fixed remuneration;
 - › CFO & Company Secretary and General Managers of Communities, Housing and Development operational business units - 40% of fixed remuneration; and
 - › General Manager of Construction operational business unit - 30% of fixed remuneration.
 - › 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 budgeted Devine Group and Business Unit’s Profit before Tax (PBT) and the budgeted Devine 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 Devine 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 190% of “base bonus” on achievement of 140% of budgeted PBT and ROS.
 - › Generally no STI payment is made if the Devine Group does not achieve at least 90% of the budgeted PBT.

The following table illustrates how the above components are applied for both Corporate and Operational Business Unit executives:

Threshold for entitlement		For all KMPs, the Devine Group achieves at least 90% budgeted profit:					
KMP	Target STI as a percentage of Fixed Remuneration	Devine Group financial component (PBT & ROS)		Business Unit financial component (PBT & ROS)		Personal Goals (values & strategic objectives)	Total
		PBT	ROS	PBT	ROS		
Managing Director & CEO	60%	50%	25%			25%	100%
CFO & Company Secretary	40%	50%	25%			25%	100%
GM: Communities GM: Development GM: Housing	40%	18.75%	6.25%	37.5%	12.5%	25%	100%
GM: Constructions	30%	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 LTI has historically been offered to executives by way of an allocation of options over shares in Devine Limited (Executive share option scheme) however this scheme has been replaced by the Long Term Incentive (LTI) plan, approved by shareholders in November 2013, which is based on the issue of performance rights. No further options over Devine Limited shares will be issued to executives. Existing options will remain on issue until they either vest and are exercised or expire.

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.

There were no LTIs awarded to any of the KMP for the 2014 year.

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 Executive share option scheme was approved by shareholders in November 1998 whereby executive Directors, senior executives and managers of the Group were, from time to time, issued with options over the ordinary shares in Devine Limited. The options were issued in accordance with guidelines established by the Directors. The options were issued for a term of 5 - 10 years and are exercisable beginning on the second anniversary date of grant subject to the satisfaction of performance hurdles. The holder of an option upon payment of the exercise price (the fixed price at time of grant) will receive one fully paid ordinary share in Devine Limited. The options cannot be transferred and are not quoted on the ASX. This scheme has been replaced by the LTI plan detailed earlier.

When exercisable, each option is convertible into one ordinary share in Devine Limited. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options were granted.

Performance measures to determine vesting

The Company uses relative shareholder return as the performance measures for the Executive share option scheme. Shareholder returns are defined as "growth in share price plus dividends" and must exceed either: the growth in the S&P/ASX Small Ordinaries Index (XSO); or GDP + 6%.

4. Executive remuneration outcome for the 2014 financial year

STI for the 2014 financial year

For the December 2014 financial year, as determined by the Remuneration and Nomination Committee no STI will be payable. The aggregate of the amount that would have been payable in relation to the STI for the Executive Director and other KMP had 100% of the potential bonus been paid would be \$2,233,070 (6 months to December 2013: \$1,155,010). For the December 2013 transitional financial year no STI was paid.

Name	STI earned-% of maximum Dec 2014	STI earned-% of maximum Jun 2013
Managing Director and CEO		
D B Keir	0%	0%
Senior Executives		
C G Bellamy	0%	0%
P V Cochrane	n/a	0%
A S Brimblecombe	n/a	0%
C C Mana	0%	0%
S G Norris	n/a	0%
M Tucker	0%	0%

LTI for the 2014 financial year

As determined by the Remuneration and Nomination Committee for 2014 financial year, there has been no grant of performance rights to any KMP or other executives 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* \$	Retention bonus** \$	Performance Rights fair value^ \$		
Executive director												
D B Keir	Dec-14	812,500	-	-	-	27,500	840,000	-	-	-	-	840,000
	Dec-13	393,407	-	14,093	-	12,500	420,000	-	-	-	-	420,000
Non-executive directors												
P J Dransfield	Dec-14	160,000	-	-	-	15,000	175,000	-	-	-	-	175,000
	Dec-13	80,092	-	-	-	7,408	87,500	-	-	-	-	87,500
J S Downes	Dec-14	96,000	-	-	8,839	9,261	114,100	-	-	-	-	114,100
	Dec-13	48,055	-	-	4,876	4,715	57,646				-	57,646
Hon. T M Mackenroth	Dec-14	79,890	-	-	4,225	25,110	109,225	-	-	-	-	109,225
	Dec-13	40,000	-	-	-	12,500	52,500	-	-	-	-	52,500
G E McOrist	Dec-14	96,000	-	-	21,800	9,000	126,800	-	-	-	-	126,800
	Dec-13	48,055	-	-	7,800	4,445	60,300	-	-	-	-	60,300
R W Parris	Dec-14	40,046	-	-	-	3,704	43,750	-	-	-	-	43,750
(resigned 28 May 2014)	Dec-13	48,055	-	-	4,785	4,445	57,285	-	-	-	-	57,285
V A Vella	Dec-14	40,046	-	-	2,600	3,704	46,350	-	-	-	-	46,350
(resigned 28 May 2014)	Dec-13	48,055	-	-	-	4,445	52,500	-	-	-	-	52,500
T G Young	Dec-14	32,037	-	-	-	2,963	35,000	-	-	-	-	35,000
(resigned 23 April 2014)	Dec-13	48,055	-	-	-	4,445	52,500	-	-	-	-	52,500
I Frost	Dec-14	44,491	-	-	-	17,970	62,461	-	-	-	-	62,461
(appointed 28 May 2014)	Dec-13	-	-	-	-	-	-	-	-	-	-	-
J D Cummings	Dec-14	57,063	-	-	-	5,398	62,461	-	-	-	-	62,461
(appointed 28 May 2014)	Dec-13	-	-	-	-	-	-	-	-	-	-	-
Other KMP												
C G Bellamy	Dec-14	306,549	-	-	-	13,386	320,385	-	-	-	-	320,385
(appointed 31 March 2014)	Dec-13	-	-	-	-	-	-	-	-	-	-	-
P V Cochrane ⁽²⁾	Dec-14	301,417	-	-	-	13,583	315,000	-	-	(37,100)	477,180	755,080
(resigned 30 Sept 2014)	Dec-13	201,112	-	-	-	8,888	210,000	-	-	18,529	-	228,529
V N Grayson ⁽¹⁾	Dec-14	-	-	-	-	-	-	-	-	-	-	-
(retired 28 Nov 2013)	Dec-13	101,667	-	-	-	35,000	136,667	86,307	-	-	-	222,974
A S Brimblecombe	Dec-14	373,496	-	-	-	25,504	399,000	-	-	56,286	-	455,286
	Dec-13	187,000	-	-	-	12,500	199,500	-	95,760	17,603	-	312,863
C C Mana	Dec-14	350,501	-	-	-	27,500	378,000	-	90,720	53,318	-	522,038
	Dec-13	176,500	-	-	-	12,500	189,000	-	-	16,676	-	205,676
S G Norris	Dec-14	331,721	-	-	-	18,279	350,000	-	-	-	-	350,000
	Dec-13	166,113	-	-	-	8,887	175,000	-	-	-	-	175,000
M Tucker	Dec-14	268,754	-	-	-	33,379	302,133	-	-	-	-	302,133
	Dec-13	151,732	-	-	-	8,887	160,619	-	-	-	-	160,619

December 2014 represents the 12 month period 1 January 2014 to 31 December 2014. December 2013 represents the 6 month period 1 July 2013 to 31 December 2013.

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

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

^ 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) Expenses of \$10,796 were reversed during the prior period (per AASB 2 Share Based Payments) in relation to VN Grayson's options that had not vested at the date of his retirement. This amount has not been included in remuneration for the December 2013 period.

(2) Expenses of \$37,100 were reversed during the period in relation to PV Cochrane's performance rights that had not vested at the date of his resignation. Included in his termination payment is unpaid annual leave entitlements at the time of resignation, a redundancy and notice period payment.

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 2014 \$	2014 %	December 2014 \$	2014 %	December 2014 \$	2014 %
Executive director						
D B Keir	840,000	100	-	-	-	-
Other KMP						
C G Bellamy	320,385	100	-	-	-	-
P V Cochrane (1)	755,080	100	-	-	-	-
A S Brimblecombe	399,000	88	-	-	56,286	12
C C Mana	378,000	72	-	-	144,038	28
S G Norris	350,000	100	-	-	-	-
M Tucker	302,133	100	-	-	-	-

(1) Resigned 30 Sept 2014. Fixed remuneration incorporates all termination payments

5. Additional Statutory Disclosures:

a) Service agreements

All senior 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 Managing Director and CEO has no fixed term but may be terminated by either party giving six months' notice. The employment contracts with the senior executives have no fixed term but may be terminated by either party giving three months' notice. In the event that 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 MD & CEO is terminated then a payment of 12 months remuneration is payable and for KMP a payment of 6 months remuneration is payable.

The remuneration of the Managing Director and CEO and senior executives is subject to annual review by the Remuneration and Nomination Committee.

* 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
D B Keir	Managing Director & CEO	CEO - 1 March 2010 Managing Director - 1 April 2010	1 March 2010	A retention bonus of 100% of the fixed remuneration component is payable by way of 2 installments being: 40% paid on 1 March 2013 and the remaining 60% to be paid 1 March 2015 provided still employed by the Company at that date.
C G Bellamy	CFO & Company Secretary	CFO - 31 March 2014 Company Secretary - 12 August 2014	31 March 2014	Nil
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 3 installments being: 30% of 80% on 21 December 2013, 30% of 80% on 21 December 2015, and the remaining 40% of 80% on 21 December 2017, provided still employed by the Company at those dates.
C C Mana	GM: Development	1 July 2010	1 August 2012	A retention bonus of 80% of the fixed remuneration component is 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.
S G Norris	GM: Housing	20 May 2013	20 May 2013	Nil
M Tucker	GM: Construction	6 May 2013	6 May 2013	Nil

b) Disclosures relating to KMP share based payments

The table below discloses the number of performance rights and options lapsed during the financial year. There were no performance rights or options granted or vested during the financial year.

Name	Year	Grant date	Expiry date	Performance rights lapsed during the year (No.)	Options lapsed during the year (No.)
31 December 2013					
Other KMP					
P V Cochrane	TY2013	16 Sept 2013	16 Sept 2016	211,602	-

c) Group Performance

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

	FY 2010 ^	FY 2011 ^	FY 2012	FY 2013	TY Dec 2013 #	FY 2014
Earnings per share (cents)	7.2	12.7	(8.1)	(0.4)	(46.0)	2.3
Dividends per share (cents)	4.0	8.0	4.0	0.0	0.0	0.0
Closing share price (cents)	94.0	100.0	58.0	67.0	81.0	94.0

^ Comparatives have been restated to reflect the 4 for 1 share consolidation in November 2011.

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 period is for 12 months from 1 January to 31 December 2014.

d) Option and performance right holdings of key management personnel

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:

		Granted as compensation during the period		Exercised during the period		Lapsed during the period				
December 2014	Balance at start of the year	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	Balance at end of the year (No.)	Vested and exercisable (No.)	Unvested (No.)
Options										
Directors of Devine Limited										
D B Keir	787,750	-	-	-	-	-	-	787,750	-	787,750
Other KMP of the Group										
P V Cochrane*	190,000	-	-	-	-	-	-	190,000	-	190,000
Performance Rights										
Other KMP of the Group										
P V Cochrane*	211,602	-	-	-	-	211,602	-	-	-	-
A S Brimblecombe	201,022	-	-	-	-	-	-	201,022	-	201,022
C C Mana	190,442	-	-	-	-	-	-	190,442	-	190,442

*Performance rights lapsed on resignation being 30 September 2014. Options are current until July 2015.

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)

5. Additional statutory disclosures: (continued)

e) Shareholding of key management personnel

The number of shares 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 2014	Balance at the start of the year	Received during the year on the exercise of options or performance rights	Other changes during the year	Balance at end of the year
Name				
Ordinary shares				
Directors of Devine Limited				
P J Dransfield	100,000	-	-	100,000
D B Keir	17,500	-	-	17,500
Hon. T M Mackenroth	52,353	-	-	52,353
J S Downes	55,000	-	-	55,000
G E McOrist	60,402	-	-	60,402
R W Parris (resigned 28 May 2014)*	121,476	-	(121,476)	-
V A Vella (resigned 28 May 2014)*	184,750	-	(184,750)	-
T G Young (resigned 23 April 2014)*	333,750	-	(333,750)	-
Other KMP of the Group				
C Mana	50,000	-	-	50,000

* This represents share holdings of RW Parris, VA Vella and TG Young at the date of their resignation which are required to be excluded.

EMPLOYEES

The Group employed 186 employees as at 31 December 2014 (December 2013: 183 employees).

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



P J Dransfield
Chairman



D B Keir
Managing Director and CEO

Brisbane
18 February 2015

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of Devine Limited

In relation to our audit of the financial report of Devine Limited for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Alison de Groot
Partner
Brisbane
18 February 2015

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Devine Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Devine Limited on behalf of the shareholders and is accountable to shareholders for the conduct and performance of the Company.

The format of the Corporate Governance Statement reflects the second edition of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", issued in 2007 (amended 2010) and ASX Listing Rules Guidance Note 9 issued in July 2014.

The ASX Corporate Governance Council issued the third edition of "Corporate Governance Principles and Recommendations" in March 2014. The principles and recommendations contained within the third edition takes effect for an entity's first full financial year commencing on or after 1 July 2014. As Devine has a December balance date, the principles and recommendations contained within the 3rd edition will apply for the financial year ended 31 December 2015.

The principles of good corporate governance state that a company should:

1. Lay a solid foundation for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk; and
8. Remunerate fairly and responsibly.

This statement contains specific information in relation to the governance practices adopted by Devine Limited and, where applicable, discloses the extent to which the Company has not followed the recommendations during the period together with the reasons for the departure. The Board continues to review the governance framework to ensure it meets the interests of shareholders and reflects the Company's current business initiatives.

Devine Limited's corporate governance principles were in place throughout the financial year ended 31 December 2014 and were largely compliant with the Council's Principles and Recommendations. Where the principles and recommendations have not been complied with, an explanation for this has been given under the 'if not why not' approach. Specific comments and further clarification follows in relation to each of the eight principles.

PRINCIPLE 1: FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

As the Board acts on behalf of the Company's shareholders and is accountable to them, the Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. As set out in the Board's Charter, the Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Managing Director and CEO, and the Executive Management Team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures necessary to assess the performance of the Managing Director and CEO, and the Executive Management Team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the Audit Committee referred to below, these mechanisms include the following:

- › Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk. The strategic plan is a dynamic document which is updated and reviewed annually and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- › Adoption of Board approved budgets by management and the Board's monitoring of progress against those budgets. This includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes; and
- › The Company's formal "Performance Management Plan" which assesses the performance of the senior executive team and management and staff against agreed goals on a half yearly and annual basis. This evaluation process was undertaken for the year ended 31 December 2014.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board composition

In determining the composition of the Devine Limited Board, the following key objectives are considered in association with the recommendations and guidelines as set out in Principle 2:

- › The Board should comprise at least six directors and should maintain a majority of independent non-executive Directors;
- › The Chairman must be an independent non-executive Director;
- › The Board should comprise directors of an appropriate range of qualifications and expertise; and

- › The Board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion on all agenda items.

Directors' independence

The skills, experience and expertise of each Director in office at the date of the annual report is included in the Directors' report. Directors of Devine Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, "materiality" is considered from both the Company and individual Director perspective.

The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to act in an independent manner.

In accordance with the definition of independence above and the materiality thresholds set, the following table identifies the independence status of each Director in office at the reporting date and details of the duration of their term as at 31 December 2014.

Name	Company Title	Term	Independence Status
P J Dransfield	Non-executive Director	4 years	Independent
D B Keir	Managing Director and CEO	4 years	Not Independent *
J S Downes	Non-executive Director	2 year	Independent
Hon. T M Mackenroth	Non-executive Director	9 years	Independent
G E McOrist	Non-executive Director	7 years	Not Independent **
I Frost	Non-executive Director	7 months	Not Independent **
J D Cummings	Non-executive Director	7 months	Not Independent **

* This Director is not considered independent as he is the Managing Director and CEO of the Company.

** These Directors are nominated representatives of a major shareholder and are therefore deemed to be not independent.

The Board consists of seven Directors, three of whom are independent and four who are considered to be non-independent.

Under the Company's Constitution the Chairman, who is an independent Director, has a casting vote if required.

During the 2014 year, the Board had consisted of eight Directors with four of those being independent. The Board reduced in size to seven upon the retirement of one of the independent Directors.

A conscious decision was made by the Board to ensure the Board size and associated costs were appropriate for the company and accordingly no replacement was sought for this vacancy. The Board formed the view that the resultant composition of the Board was appropriate, given each Director's relative qualifications and experience, to ensure the interests of all shareholders were represented.

To assist the Directors in exercising their responsibilities, there are procedures in place to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

It is part of the responsibility of the Board to assess whether or not it continues to operate within established guidelines and with the appropriate skill mix. In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the Chairman reviews the performance of all Directors annually and may ask Directors whose performance is considered unsatisfactory to retire.

Devine has established a Remuneration and Nomination Committee, however it is considered appropriate that any new appointments to the Board should be considered by the Board as a whole. Where a requirement to appoint a new Director occurs, an independent consultant who is not a Director may be used to assist in the selection process if felt appropriate.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of conduct

The Company has in place a number of policies to assist staff when performing their duties by providing guidance on matters that relate to ethical and responsible decision making. The following are amongst a number of documents that are published on the Company's Policy and Procedures Intranet site:

- › Ethical Code of Conduct;
- › Management Principles and Practices;
- › Confidential Information;
- › Conflicts of Interest;
- › Diversity Policy;
- › Securities Trading Policy; and
- › Procurement Principles and Practices.

These policies are communicated to all new staff by way of an "Employee Handbook" that extracts key aspects of the policies for review and formal acknowledgement by new staff as part of their induction into the Company.

The current employee handbook identifies a number of areas where staff and management need to be aware of the legal and other obligations of all stakeholders. Significant areas that affect the business include occupational health and safety, environmental considerations surrounding major developments and construction activities, and the interests of shareholders, finance providers, customers and fellow employees. In addition, the Company has put in place five key principles – integrity, commitment, excellence, care and innovation, which are collectively known as the "Devine Way". These key principles set out the way that employees are expected to conduct themselves in relation to the conduct of the Company's business and the workplace environment.

Securities Trading Policy

In accordance with the ASX listing rules, the Company has a securities trading policy in place which provides comprehensive guidelines for trading in the Company's shares by Directors, employees and their "connected persons" (collectively defined as relevant persons). The Board approved policy only allows trading in the Company's shares by relevant persons in the six week period commencing on the next trading day after the Company's annual general meeting or an announcement by the Company to the ASX of either the preliminary final statement for the full year or half year result.

Additionally the trading policy allows for the trading window to be opened for any other period that the Company specifies from time to time.

The Board may waive this trading restriction where a relevant person needs to deal in the Company's securities due to exceptional circumstances. Relevant persons must not deal in the Company's securities in connection with a margin lending arrangement. Directors, employees and connected persons are reminded that at all times they must be satisfied that their actions comply with rules relating to insider trading.

Diversity Policy

Devine's Diversity Policy outlines the Company's commitment to a culture that embraces diversity. Devine, values diversity and aims to create a vibrant and inclusive workforce which is reflective of the communities in which it operates. In building a more diverse and inclusive workforce, it is recognised that this enables a greater diversity of thought, more informed decision making and ultimately better business outcomes. A copy of the Diversity Policy is available on the Board and Governance section of the Devine website. Further information on Devine's Diversity Policy and the Measurable Objectives can be found in the Directors' report.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit committee

An Audit Committee was established when the Company listed on the ASX in 1993 and has been in continuous operation since that time. It operates under a charter approved by the Board and meets at least quarterly. The current members of the Audit Committee are:

- › G E McOrist (Chairman of the Audit Committee);
- › J S Downes; and
- › Hon T M Mackenroth.

Details of these Directors and their attendance at audit committee meetings are set out in the Directors' report.

Mr G E McOrist was elected Chairman of the Audit Committee in October 2011. As noted under Principle 2 above, Mr McOrist is considered to be a non-independent member of the Board. The Board believes however that given his extensive experience in accounting, finance and risk management, Mr McOrist is the best qualified Director to fill the role of Chairman of the Committee.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, as well as the safeguarding of assets, maintenance of proper accounting records, and the reliability of financial information as well as non-finance considerations.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the Group to the Audit Committee.

The Audit Committee is responsible for the nomination of the external auditor and for reviewing the adequacy, scope and quality of the annual statutory audit and half-year statutory review.

The Committee has considered the issue of independence of the statutory auditor and it is satisfied that the appointment and conduct of the statutory auditor and the practices and procedures adopted are appropriate with respect to auditor independence.

The Company's external auditors, Managing Director and CEO and the Chief Financial Officer (CFO) attend each meeting of the Committee. In accordance with the Committee's charter, the external auditors are provided with an opportunity to discuss matters with the Committee in the absence of management at each meeting. The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Committee also provides the Board with additional assurance regarding the reliability of financial information, including the financial statements. The Managing Director and CEO and the CFO have made the following certifications to the Board:

- › That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the Group and are in accordance with relevant accounting standards; and
- › That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control processes are operating efficiently and effectively in all material respects.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

Continuous disclosure and shareholder communication

The Board of Directors aim to ensure that the shareholders to whom they are accountable, are informed of all information necessary to assess the performance of the Company. Information is communicated to shareholders through:

- › The annual report, which is made available to all shareholders;
- › The half yearly report;
- › The results presentation;
- › The Annual general Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- › Media releases and continuous disclosure announcements made through the ASX and reporting to shareholders from time to time on the performance of the Company. Where possible, the Company arranges for advance notification of significant group briefings (including, but not limited to, results announcements) and makes them as widely accessible as may be practical.

Copies of this information are available on the ASX Information section of the Devine website under the heading of "Financial Reports".

Given the size and structure of the Company, the Board does not consider that a formal policy and procedure on Continuous Disclosure is necessary. Through the Managing Director and CEO and regular Board meetings and updates, Directors are kept fully informed of any matters that would need to be disclosed to the market in accordance with ASX Listing Rule 3.1 relating to Continuous Disclosure.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Board's responsibility in relation to communicating with shareholders and keeping them informed on the financial and operational performance of the Company is set out in the Board's Charter. Key financial reports, including the results presentations, half yearly and annual reports, are made available to shareholders to provide them with information relevant to the operation of the Company. Additional information, including these reports, is available on the Investor Relations section of the Devine website. The Company's external auditor attends all Devine Limited AGM's and, as required by the *Corporations Act 2001*, is available at those meetings to answer any questions put to them by shareholders about the audit.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A significant number of activities exist within the building, development and construction industries that require active monitoring and control. Devine continues to update its risk management policies and procedures and is constantly monitoring its exposure to risk. A policy is in place setting out the formal risk reporting processes for Strategic, Health and Safety, and Trading and Operational risk areas. Risk assessments are also carried out on any new projects that are being considered and are included in any proposals that are submitted to the Board. The development of risk management processes within both existing and new business activities will continue to be refined and updated as necessary.

As part of this constant monitoring and review process, the Company has an established program to review and update the potential areas of risk in relation to its Housing, Communities, Development, Construction and Corporate segments and this facilitates the preparation and review of its overall risk matrix chart for the Group.

A Risk and Compliance Update Report is prepared by each business unit and division on a monthly basis and the results of this are summarised and reported to the Board each month. A more detailed Risk Review Report is prepared by each Business Unit and Division on a quarterly basis. This review applies a rating to the various risks that have been identified and provides commentary on the actions that are being taken to mitigate those risks. It also covers each project that the Company is undertaking. The results of these review reports are summarised and communicated to the Audit Committee for review at their quarterly meetings.

The reporting on risk by management is a standing agenda item at monthly Board meetings.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board is responsible for determining and reviewing compensation arrangements for the Directors and the key management personnel (KMP). The Board has established a Remuneration and Nomination Committee to assist it in reviewing the remuneration for the Managing Director and CEO, and other KMP. The charter for this Committee sets out how it will operate on behalf of the Board.

Remuneration and Nomination committee

The current members of the Remuneration and Nomination Committee are:

- › P J Dransfield (Chairman of the Remuneration and Nomination Committee);
- › J S Downes;
- › J D Cummings; and
- › D B Keir (executive remuneration only).

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and senior executives fairly and appropriately and with reference to relevant employment market conditions.

To assist in achieving this objective, the remuneration committee links the nature and amount of the Managing Director and CEO's and KMP's emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are

- › To provide satisfactory returns to shareholders;
- › The retention and motivation of key executives;
- › To attract quality management to the Company; and
- › To provide performance incentives which are aligned with the interests of shareholders and allow executives to share in the rewards of success.

Full details of the Company's remuneration philosophy and structure for and payments to Directors and KMP are set out in the Company's Remuneration report contained within the Directors' report.

When considering the entitlement by key management personnel to the receipt of short term incentive (STI) and long term incentive (LTI) payments and entitlements, discretion is exercised by the Board in relation to the payment of these benefits having regard to the overall performance of the Group and the performance of the relevant operating division. Details of the STI and LTI schemes are set out in the Remuneration report.

FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Notes	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Revenue	3	333,498	139,374
Cost of properties sold		(267,568)	(158,533)
Gross profit/(loss)		65,930	(19,159)
Other revenue	3	10,811	1,520
Expenses, excluding finance expenses	4	(60,073)	(61,088)
Finance expenses		(6,339)	(2,366)
Share of net (loss) of joint ventures accounted for using the equity method	34(b)	(307)	(3,912)
Profit/(loss) before income tax		10,022	(85,005)
Income tax (expense)/benefit	5	(6,423)	12,028
Profit/(loss) for the year		3,599	(72,977)
Items that may be reclassified subsequently to profit and (loss)			
Changes in the fair value of cash flow hedges/reserves, net of tax	28(a)	249	140
Total comprehensive income/(loss) for the year		3,848	(72,837)
		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	37	2.3	(46.0)

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 2014

	Notes	31 December 2014 \$'000	31 December 2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	18,122	11,264
Receivables	8	47,935	59,315
Inventories	9	91,955	147,840
Current tax receivable		-	68
Prepayments		1,496	1,377
Total current assets		159,508	219,864
Non-current assets			
Receivables	10	11,251	22,743
Inventories	14	195,656	173,800
Investments accounted for using the equity method	34(b)	12,473	36,193
Plant and equipment	15	2,477	2,866
Deferred tax assets	17	3,569	10,058
Intangible assets	16	3,316	3,316
Other non-current assets		-	193
Total non-current assets		228,742	249,169
Total assets		388,250	469,033
LIABILITIES			
Current liabilities			
Advances and other payables	18	57,485	57,453
Interest bearing loans	19	70,356	29,832
Provisions		2,837	4,201
Derivative financial instruments	21	174	-
Non-interest bearing loans	20	3,500	25,280
Total current liabilities		134,352	116,766
Non-current liabilities			
Advances and other payables	22	3,815	7,341
Interest bearing loans	23	-	93,676
Provisions		1,448	1,347
Non-interest bearing loans	24	-	4,751
Derivative financial instruments	25	-	458
Total non-current liabilities		5,263	107,573
Total liabilities		139,615	224,339
Net assets		248,635	244,694
EQUITY			
Contributed equity	27	292,367	292,367
Reserves	28(a)	161	(181)
Accumulated losses	28(b)	(43,893)	(47,492)
Total equity		248,635	244,694

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 2014

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2014		292,367	(181)	(47,492)	244,694
Profit for the Year		-	-	3,599	3,599
Other comprehensive income		-	249	-	249
Total comprehensive income/(loss) for the year		-	249	3,599	3,848
Transactions with owners in their capacity as owners:					
Expense/(benefit) pursuant to employee incentive scheme	28(a)	-	93	-	93
Balance at 31 December 2014		292,367	161	(43,893)	248,635
Balance at 1 July 2013		292,367	(347)	25,485	317,505
(Loss) for the period		-	-	(72,977)	(72,977)
Other comprehensive income		-	140	-	140
Total comprehensive income/(loss) for the period		-	140	(72,977)	(72,837)
Transactions with owners in their capacity as owners:					
Expense/(benefit) pursuant to employee incentive scheme	28(a)	-	26	-	26
Balance at 31 December 2013		292,367	(181)	(47,492)	244,694

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 2014

	Notes	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		364,331	151,986
Payments to suppliers and employees (inclusive of goods and services tax)		(307,372)	(149,518)
Profit distributions received from joint ventures		-	122
Interest received		2,180	655
Interest and borrowing costs paid		(12,436)	(6,831)
Income taxes received		29	-
Net cash inflow/(outflow) from operating activities	29	46,732	(3,586)
Cash flows from investing activities			
Payments for plant and equipment		(644)	(1,778)
Payments for investments in joint ventures		(797)	(4,286)
Payments for investments in land inventory		(31,784)	(7,537)
Loans to joint ventures		(7,595)	(7,724)
Repayments of loans by joint ventures		21,246	217
Equity distributions received from joint ventures		24,063	2,100
Proceeds from sale of plant and equipment		-	14
Proceeds from sale of equity accounted investments		9,369	6,600
Net cash inflow/(outflow) from investing activities		13,858	(12,394)
Cash flows from financing activities			
Proceeds from borrowings		60,361	63,238
Repayment of borrowings		(114,093)	(56,980)
Net cash (outflow)/inflow from financing activities		(53,732)	6,258
Net increase/(decrease) in cash and cash equivalents		6,858	(9,722)
Cash and cash equivalents at the beginning of the financial year		11,264	20,986
Cash and cash equivalents at end of the financial year		18,122	11,264

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 2014

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 (\$'000) unless otherwise stated.

(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) Comparative information

Devine Limited (the "Company") obtained approval from the Australian Securities and Investments Commission (ASIC) to change its financial year end date from 30 June to 31 December. As a result the current financial year of the Company is the 12 month period 1 January 2014 to 31 December 2014. The prior financial year of the Company is the 6 month period 1 July 2013 to 31 December 2013. As such the amounts presented in the financial report are not entirely comparable.

(iv) 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.

(v) Going concern

The Group generated a profit after tax for the financial year of \$3.6m and has incurred losses in the previous two financial years. However at 31 December 2014, the Group had net assets of \$248.6m and cash and cash equivalents of \$18.1m and net current assets of \$25.2m.

As at 31 December 2014, the senior finance facility of the Group has been classified as a current liability due to its maturity being 31 August 2015. Total drawn debt under the facility as at 31 December 2014 was \$78.3m including bank guarantees.

In the event the ongoing Company sale process is completed prior to 31 August 2015, the directors believe that an orderly sales process will involve completion of the debt facilities as part of the sale implementation.

The Directors believe the going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities as and when they fall due, is appropriate for the following reasons:

1. Current assets exceed current liabilities by \$25.2m;
2. The Group is in compliance with its bank covenants;
3. Discussions regarding the refinance of the senior facility have commenced but finalisation of this process has been delayed due to the ongoing Company sale process. The Directors believe the ownership of Company will be resolved before 31 August 2015 with sufficient time to renegotiate a new senior facility ;
4. The Group continues to enjoy the support of its primary financier;
5. The Group is forecast to generate positive operating cashflows for the year ended 31 December 2015 based on current Group forecast information;
6. The Group's major shareholder Leighton Holdings Limited (LEI) has guaranteed the senior facility to the amount of \$50.0m. The guarantee expires on 1 October 2015 and has been provided directly by LEI to the Group's financier. The Board believes that as a result of the guarantee being in place, the Group's primary financier has minimal exposure to the Group in relation to debt when compared to the asset security value that the primary financier holds. Notwithstanding the above, the Board of Directors are not aware of any reason as to why the guarantee would be called and do not anticipate that it will be called;

In addition to the senior facility included within current interest bearing liabilities are the amounts of \$3.5m relating to project debt facilities of joint venture operations which are due to expire before 31 December 2015. The Board believes that these facilities will be extended and given their project specific nature forecast, settlement proceeds will repay these loans in full.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities at 31 December 2014 that might be necessary should the Group not continue as a going concern.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Devine Limited ('Company') as at 31 December 2014 and the results of all subsidiaries for the year then ended. Devine Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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.

When the Group has less than a majority of the voting or similar rights of an investee, 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 Company.

(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 Company. Details of the joint operations are set out in Note 34(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 34(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Devine 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 for Devine, revenue and costs are recognised in the consolidated financial statements when the building is complete and the risk and rewards of ownership have transferred to the end buyer/s.

Where the Group enters into a construction contract for a joint venture in which Devine has an equity interest, only that portion of the revenue generated and costs incurred that relates to the equity interest of Devine'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 Devine'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 Managing Director and 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 other liabilities.

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 30). 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
Vehicles	2 - 5 years
Leasehold improvements	2 - 8 years

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets / Brand name

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

(l) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments 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 investments are recognised on the date that the Group commits to purchase or sell the asset. Investments 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.

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

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit

or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

(m) Impairment of assets

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

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 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) Vendor funding

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(ii) Advances

These amounts represent funds advanced to the Group under contractual arrangements with settlement on deferred terms. Where payment is not due within 12 months from the reporting date, the amounts are presented as non-current liabilities and 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 Executive Option Scheme and the Long Term Incentive (LTI) Plan. Information relating to these plans is set out in the Remuneration Report. The Executive Option Scheme was replaced with the LTI Plan from 1 July 2013.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 21. Movements in the hedging reserve in shareholder's equity are shown in Note 28.

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.

(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Parent entity financial information (continued)

(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 2014 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 124 *Related Party Disclosures*
- › AASB 132 *Financial Instruments: Presentation*
- › Interpretation 21 *Leases*
- › AASB 136 *Impairment of Assets*
- › AASB 139 *Financial Instruments: Recognition and Measurement*
- › AASB 1031 *Materiality*
- › AASB 2013-9 *Conceptual Framework, Materiality and Financial Instruments*

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 reporting period and have not yet been applied in the consolidated financial statements. These are:

- › AASB 2014-1 *Part A Annual Improvements 2010-2012 Cycle* effective 1 January 2015
- › AASB 2014-1 *Part A Annual Improvements 2011-2013 Cycle* effective 1 January 2015
- › AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* effective 1 January 2016

- › AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)* effective 1 January 2016
- › AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* effective 1 January 2016
- › Amendments to IAS 1 effective 1 January 2016
- › AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative (Amendments to AASB 101)* effective 1 January 2016
- › AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* effective 1 January 2016

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 2014 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 9 *Financial Instruments* effective 1 January 2018
- › AASB 15 *Revenue from Contracts with Customers* effective 1 January 2017

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 \$8.8m (2013: \$6.6m) of tax losses that have not been recognised (refer Note 5) and overall deferred tax assets of \$13.8m (2013: \$7.2m);

- › 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 percentage of completion method and when the profit outcome can be reliably measured. Until the profit outcome can be reliably measured, profit recognition is deferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

3 REVENUE

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Revenue		
Revenue from property development	235,984	125,111
Revenue from construction activities	41,394	319
Revenue from property development - related joint ventures	10,793	4,395
Revenue from construction activities - related joint ventures	45,327	9,549
	333,498	139,374
Other revenue		
Rent received	164	164
Interest received	2,621	1,288
Sundry income*	621	68
Net realised gain on sale of interest in equity accounted investments	7,405	-
	10,811	1,520
Total Revenue	344,309	140,894

* Included in sundry income is \$0.5m reimbursement for sale transaction costs incurred.

4 EXPENSES

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

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Marketing and selling costs	25,285	18,147
Occupancy	2,932	1,622
Administration *	24,759	13,637
Other	3,864	4,478
Land holding expenses	3,233	4,187
Impairment of joint ventures and receivables	-	19,017
	60,073	61,088

* Includes sale transactions costs of \$2.1m.

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

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Write-back/(write-down) of inventory included in cost of properties sold	3,941	(45,177)
Impairment of joint ventures and receivables	-	(19,017)
Write-down of inventory in joint ventures included in share of net profit	-	(3,000)
Restructuring costs	-	(2,825)
	3,941	(70,019)

(c) Other expenses:

Employee benefits	17,526	14,806
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5 INCOME TAX EXPENSE/(BENEFIT)

(a) Income tax expense/(benefit)

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Current tax expense/(benefit):		
Adjustments in respect of prior periods	155	(68)
Deferred tax expense/(benefit):		
Origination and reversal of temporary differences	5,822	(15,270)
Adjustments in respect of prior periods		
- Temporary differences on joint ventures not recognised	(64)	2,914
- Prior year tax losses not recognised	-	488
- Utilisation of prior year tax losses not recognised	(19)	-
- Reversal of prior year tax losses recognised	529	-
- Other	-	(92)
Income tax expense/(benefit) reported in the consolidated statement of comprehensive income	6,423	(12,028)

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

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Profit /(loss) from continuing operations before income tax expense	10,022	(85,005)
Tax at the Australian tax rate of 30% (2013 - 30%)	3,007	(25,502)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Current year tax losses not recognised	2,756	6,123
Prior year tax losses not recognised	-	488
Utilisation of prior year tax losses not recognised	(19)	-
Reversal of prior year tax losses recognised	529	-
Current year timing differences in joint ventures not recognised	-	4,081
Prior year timing differences in joint ventures not recognised	(64)	2,914
Entertainment	31	26
Options issued to employees	28	8
Other	-	(6)
Under/(over) provisions from prior year	155	(160)
Income tax expense/(benefit)	6,423	(12,028)

(c) Amounts recognised directly in equity

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax - debited directly to equity	104	77

(d) Tax losses

The Group has total tax losses of \$46,014,595 (December 2013: \$24,127,557) which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met. \$29,581,995 of these losses (December 2013: \$22,038,000) have not been recognised.

Deferred tax assets in respect of these losses of \$8,874,599 (December 2013: \$6,611,000) 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.

(e) Unrecognised temporary differences

Deferred tax assets of \$6,930,711 (December 2013: \$6,995,000) 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. In the current financial year \$64,289 of the December 2013 balance not recognised has been reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

6 DIVIDENDS

(a) Franked dividends

	31 December 2014 \$'000	31 December 2013 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (Dec 2013 - 30%)	9,477	9,474

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	31 December 2014 \$'000	31 December 2013 \$'000
Cash and cash equivalents	18,122	11,264

8 CURRENT ASSETS - RECEIVABLES

	31 December 2014 \$'000	31 December 2013 \$'000
Trade receivables	24,956	12,584
Provision for impairment	(5,047)	(5,043)
	19,909	7,541
Other receivables	27,949	51,247
Deposits	77	527
	28,026	51,774
Total receivables	47,935	59,315

(a) Impaired trade receivables

At 31 December 2014 the Group has recognised a provision of \$5.0m (December 2013: \$5.0m) in respect of a trade receivable. Legal action is continuing to be pursued to recover this amount.

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

	31 December 2014 \$'000	31 December 2013 \$'000
Opening balance	5,043	43
Provision for impairment recognised during the year	4	5,000
Closing balance	5,047	5,043

8 CURRENT ASSETS - RECEIVABLES (CONTINUED)

(b) Past due but not impaired

As of 31 December, the aging analysis of trade receivables is as follows:

	31 December 2014 \$'000	31 December 2013 \$'000
Neither past due nor impaired	13,387	88
Less than 30 days	4,314	4,909
30 - 60 days	806	1,029
61 - 90 days	207	764
Greater than 90 days	1,195	751
	19,909	7,541

(c) Other receivables

These amounts indirectly arise from the activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months and an agreement has been negotiated. 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 39 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 2014 \$'000	31 December 2013 \$'000
Additional information on contract debtors		
Total progressive value of all contracts in progress at reporting date	58,371	9,575
Less: Cash received to date	53,707	9,421
Amounts due from customers – contract debtors	4,664	154
Amounts due to customers – trade creditors	-	-
Net contract debtors	4,664	154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

9 CURRENT ASSETS - INVENTORIES

	31 December 2014 \$'000	31 December 2013 \$'000
Work in progress		
Work in progress	13,213	16,840
	13,213	16,840
Land held for sale		
Acquisition	23,084	54,176
Development costs capitalised	55,658	74,170
	78,742	128,346
Display homes		
Display homes	-	2,654
	-	2,654
Total current inventories - at the lower of cost and net realisable value	91,955	147,840

Capitalised 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 2014 was \$11.8m (December 2013: \$5.8m). The rate used to determine the amount of interest and borrowing costs eligible for capitalisation was 6.61% (December 2013: 6.2%).

10 NON-CURRENT ASSETS - RECEIVABLES

	31 December 2014 \$'000	31 December 2013 \$'000
Trade and other receivables	11,251	22,743

(a) Past due but not impaired

At 31 December 2014 there were no past due non-current receivables (6 months to December 2013: Nil). Refer also Note 8(a).

(b) Fair values

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

The fair values are based on the estimated future cash flows considering the balance of amounts outstanding, timing of receipts and where appropriate are discounted using the current lending rate of 6.1%.

(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 39.

11 SUBSIDIARIES

Interests in subsidiaries

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

Name of entity	Principal activities	Equity Interest **	
		December 2014 %	December 2013 %
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	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	100
Devine Building Management Services Pty Ltd*	Property management	100	-
DoubleOne 3 Building Management Services Pty Ltd*	Property management	100	-
Devine Projects (VIC) Pty Ltd*	Property development	100	-
Devine SA Land Pty Ltd*	Property development	100	-
Devine Woodforde Pty Ltd*	Property development	100	-
Tribune SB Pty Ltd*	Property development	100	-
Tribune SB Unit Trust	Property development	100	-
Trafalgar EB Pty Ltd*	Property development	100	-
Trafalgar EB Unit Trust	Property development	100	-
Mode Apartments Pty Ltd*	Property development	100	-
Mode Apartments Unit Trust	Property development	100	-

* 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. An updated Deed of Cross Guarantee was lodged with ASIC on 19 December 2014.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

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 2014 for the Closed Group.

	12 months to 31 December 2014 \$'000	6 months to 31 December 2013 \$'000
<i>Consolidated statement of profit or loss</i>		
Revenue from continuing operations	329,091	132,091
Other income	10,810	(12,297)
Share of net losses of joint ventures accounted for using the equity method	(307)	(3,912)
Expenses from ordinary activities, excluding finance expenses	(323,100)	(197,796)
Finance expenses	(6,308)	(2,356)
Profit/(loss) before income tax	10,186	(84,270)
Income tax (expense)/benefit	(5,699)	13,207
Profit/(loss) for the year	4,487	(71,063)
<i>Summary of movements in consolidated accumulated losses</i>		
Accumulated losses at the beginning of the reporting period	(71,466)	(403)
Accumulated profits of entities added to the Closed Group	16,300	-
Profit/(loss) for the year	4,487	(71,063)
Accumulated losses at the end of the reporting period	(50,679)	(71,466)

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 2014 for the Closed Group.

	31 December 2014 \$'000	31 December 2013 \$'000
Current assets		
Cash and cash equivalents	18,121	11,263
Receivables	47,814	58,796
Inventories	86,955	118,830
Current tax receivables	-	68
Prepayments	1,331	1,314
Total current assets	154,221	190,271
Non-current assets		
Receivables	42,817	42,610
Inventories	140,074	125,492
Investments accounted for using the equity method	12,473	36,137
Plant and equipment	2,264	2,564
Deferred tax assets	4,336	11,166
Intangible assets	3,316	3,316
Other non-current assets	-	250
Total non-current assets	205,280	221,535
Total assets	359,501	411,806
Current liabilities		
Advances and other payables	57,653	55,786
Derivative financial instruments	174	-
Interest bearing loans	49,826	29,832
Provisions	2,836	3,490
Non-interest bearing loans	3,500	25,280
Total current liabilities	113,989	114,388
Non-current liabilities		
Interest bearing loans	-	62,801
Provisions	1,448	1,347
Non-interest bearing loans	-	4,751
Derivative financial instruments	-	458
Advances and other payables	2,215	7,341
Total non-current liabilities	3,663	76,698
Total liabilities	117,652	191,086
Net assets	241,849	220,720
Equity		
Contributed equity	292,367	292,367
Reserves	161	(181)
Accumulated losses	(50,679)	(71,466)
Total equity	241,849	220,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

13 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	31 December 2014 \$'000	31 December 2013 \$'000
Statement of financial position		
Assets		
Current assets	239,765	259,325
Non-current assets	82,260	118,271
Total assets	322,025	377,596
Liabilities		
Current liabilities	53,064	71,913
Non-current liabilities	722	32,272
Total liabilities	53,786	104,185
Net assets	268,239	273,411
Equity		
Contributed equity	292,367	292,367
Reserves	161	(174)
Accumulated losses	(24,289)	(18,782)
Total equity	268,239	273,411
Loss for the year	(5,507)	(39,093)
Total comprehensive loss for the year	(5,264)	(38,946)

(b) Guarantees entered into by the Parent entity

Devine Limited and controlled entities have provided bank guarantees and surety bonds totaling \$32.9m at 31 December 2014 (6 months to December 2013: \$30.2m) 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 \$25.2m at 31 December 2014 (December 2013: \$62.1m). The debt is secured against assets of the joint ventures with a recorded value of \$64.9m (December 2013: \$118.4m) and is to be repaid from the land 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 35.

14 NON-CURRENT ASSETS - INVENTORIES

	31 December 2014 \$'000	31 December 2013 \$'000
Land held for sale		
Acquisition	78,442	93,789
Development costs capitalised	117,214	80,011
Total non-current inventories - at the lower of cost and net realisable value	195,656	173,800

15 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Display home furniture and equipment \$'000	Plant and equipment \$'000	Total \$'000
Year ended 31 December 2014			
Opening net book amount	378	2,488	2,866
Additions	32	612	644
Disposals	(711)	(752)	(1,463)
Depreciation charge	(150)	(646)	(796)
Depreciation write back on disposals	692	534	1,226
Closing net book amount	241	2,236	2,477
At 31 December 2014			
Cost	494	7,251	7,745
Accumulated depreciation	(253)	(5,015)	(5,268)
Net book amount	241	2,236	2,477
Year ended 31 December 2013			
Opening net book amount	676	1,095	1,771
Additions	56	1,809	1,865
Disposals	(339)	(145)	(484)
Depreciation charge	(436)	(402)	(838)
Depreciation write back on disposals	421	131	552
Closing net book amount	378	2,488	2,866
At 31 December 2013			
Cost	1,174	7,391	8,565
Accumulated depreciation	(796)	(4,903)	(5,699)
Net book amount	378	2,488	2,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 NON-CURRENT ASSETS - INTANGIBLE ASSETS/BRAND NAME

	Brand name \$'000	Total \$'000
At 31 December 2014		
Cost	3,316	3,316
Net book amount	3,316	3,316
	Brand name \$'000	Total \$'000
At 31 December 2013		
Cost	3,316	3,316
Net book amount	3,316	3,316

Impairment tests for intangibles with indefinite useful lives

The Group estimates the recoverable amount of the cash-generating unit to which the brand name belongs, which is the Group as a whole.

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets, including sales rates and prices and profit margins, approved by management covering a 12 month period. Cash flows beyond this period are extrapolated using estimated growth rates of 3.0%.

A pre-tax discount rate of 13.3% (December 2013: 12.3%) has been applied to the calculation which reflects management's estimate of the time value of money and the risks specific to the Group.

Sensitivities to reasonably possible changes to the key assumptions have been considered and have not indicated circumstances in which the unit's carrying value exceeds its recoverable amount.

17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Notes	31 December 2014 \$'000	31 December 2013 \$'000
The balance comprises temporary differences attributable to:			
Accrued expenses		940	625
Doubtful debts		1,514	1,513
Employee benefits		1,215	1,477
Establishment fees		8	127
Inventories		8,592	17,885
Investment in associates		715	1,295
Mark-to-market adjustments on derivative financial instruments		74	137
Provisions		137	451
Tax losses		4,930	627
Unearned income		60	60
Other		553	11
		18,738	24,208
Set-off of deferred tax liabilities pursuant to set-off provisions	26	(15,169)	(14,150)
Net deferred tax assets		3,569	10,058
Movements:		1,514	1,513
Opening balance		24,208	6,530
Credited/(charged) to the statement of comprehensive income		(5,521)	3,722
Charges directly to equity		(104)	(77)
Prior year adjustments		155	(68)
Set-off		(15,169)	(49)
Closing balance		3,569	10,058

18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	31 December 2014 \$'000	31 December 2013 \$'000
Current liabilities		
Trade payables	28,652	35,701
Advances and other payables	28,833	21,752
	57,485	57,453

19 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	31 December 2014 \$'000	31 December 2013 \$'000
Secured		
Bank loans	70,356	29,832

Refer to Note 1(a)(v) for further information regarding bank loans. Information relating to assets pledged as security is set out in Note 23(b).

20 CURRENT LIABILITIES - NON-INTEREST BEARING LIABILITIES

	31 December 2014 \$'000	31 December 2013 \$'000
Secured		
Vendor funding	3,500	25,280

Vendor funding on land developments has been provided to the Group from time to time subject to commercial negotiations.

21 CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014 \$'000	31 December 2013 \$'000
Interest rate - cash flow hedges	174	-

The hedge contracts have been reclassified to current as they are due to mature within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 NON-CURRENT LIABILITIES - ADVANCES AND OTHER PAYABLES

	31 December 2014 \$'000	31 December 2013 \$'000
Advances and other payables	3,815	7,341

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.

23 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	31 December 2014 \$'000	31 December 2013 \$'000
Secured		
Bank loans	-	93,676

(a) Total secured liabilities

Total secured liabilities are:

	31 December 2014 \$'000	31 December 2013 \$'000
Bank loans (current and non-current)	70,356	123,508

(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 2014 \$'000	31 December 2013 \$'000
Current		
Cash and cash equivalents	18,122	11,264
Receivables	47,935	59,315
Inventories	91,955	147,840
Current tax receivables	-	68
Prepayments	1,496	1,377
Total current assets pledged as security	159,508	219,864
Non-current		
Receivables	11,251	22,743
Inventories	195,656	173,800
Investments accounted for using the equity method	12,473	36,193
Plant and equipment	2,477	2,866
Intangible assets	3,316	3,316
Deferred tax assets	3,569	10,058
Other non-current assets	-	193
Total non-current assets pledged as security	228,742	249,169
Total assets pledged as security	388,250	469,033

23 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (CONTINUED)

(c) Financing arrangements (current and non-current)

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

	31 December 2014 \$'000	31 December 2013 \$'000
Bank loans		
Total facilities limits*	158,836	185,346
Total facilities available	90,187	147,353
Used at balance date	82,106	141,068
Available at balance date	8,081	6,285

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

24 NON-CURRENT LIABILITIES - NON-INTEREST BEARING LIABILITIES

	31 December 2014 \$'000	31 December 2013 \$'000
Secured		
Vendor funding	-	4,751

Vendor funding on land developments has been provided to the Group from time to time subject to commercial negotiations.

25 DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014 \$'000	31 December 2013 \$'000
Non-current liabilities		
Interest rate - cash flow hedges	-	458

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Reclassified to current refer to Note 21.

26 NON – CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	31 December 2014 \$'000	31 December 2013 \$'000
The balance comprises temporary differences attributable to:		
Income received in advance	-	49
Other	20	-
Inventories	15,149	14,101
	15,169	14,150
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	(15,169)	(14,150)
Net deferred tax liabilities	-	-
Movements:		
Opening balance	14,150	8,355
Charged/(credited) to statement of comprehensive income	1,019	5,795
Set off	(15,169)	(14,150)
Closing balance	-	-

27 CONTRIBUTED EQUITY

(a) Share capital

	31 December 2014 Shares	31 December 2013 Shares	31 December 2014 \$'000	31 December 2013 \$'000
Ordinary shares - fully paid	158,730,556	158,730,556	292,367	292,367

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 January 2014	Opening balance	158,730,556	292,367
31 December 2014	Closing balance	158,730,556	292,367

(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 attractive 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.

	31 December 2014 \$'000	31 December 2013 \$'000
Interest and non-interest bearing loans and borrowings	75,032	154,645
Less: cash and cash equivalents	(18,122)	(11,264)
Net debt	56,910	143,381
 Total assets	 388,250	 469,033
Less: cash and cash equivalents	(18,122)	(11,264)
Assets	370,128	457,769
 Gearing ratio	 15.4%	 31.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 RESERVES AND RETAINED EARNINGS/(ACCUMULATED LOSSES)

(a) Reserves

	31 December 2014 \$'000	31 December 2013 \$'000
Hedging reserve - cash flow hedges	(130)	(379)
Share based payment reserve	291	198
	161	(181)

Movements:

Hedging reserve - cash flow hedges

Opening balance	(379)	(519)
Revaluation - gross	(16)	217
Termination hedge contract	369	-
Deferred tax	(104)	(77)
Closing balance	(130)	(379)

Share-based payments reserve

Opening balance	198	172
Share based payment expense	93	26
Closing balance	291	198

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 affects profit or loss.

(b) Retained earnings/(accumulated losses)

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

	31 December 2014 \$'000	31 December 2013 \$'000
Opening balance	(47,492)	25,485
Net profit/(loss) for the year	3,599	(72,977)
Closing balance	(43,893)	(47,492)

29 NOTES TO STATEMENT OF CASHFLOWS

(a) Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	31 December 2014 \$'000	31 December 2013 \$'000
Profit/(loss) for the year	3,599	(72,977)
Non-cash items		
Interest capitalised	(6,098)	(4,466)
(Profits)/losses from joint ventures and sale of subsidiaries not received as cash	307	5,293
Depreciation and amortisation	796	838
Non-cash employee benefits expense - share-based payments	93	27
Fair value (gains)/losses on financial assets at fair value through profit or loss	70	26
Loss on write off plant and equipment	236	-
Net gain/(loss) on sale of equity accounted investments	(7,353)	-
Impairment of joint ventures	-	14,017
Change in operating assets and liabilities:		
(Increase)/decrease in trade and sundry debtors	(3,775)	(8,462)
Decrease/(increase) in inventories	71,512	79,483
Decrease/(increase) in prepayments	461	(643)
(Decrease)/increase in provision for income taxes payable (receivable)	68	(68)
(Decrease)/increase in trade creditors and accruals	(18,307)	(5,302)
Increase/(decrease) in deferred income tax	6,385	(11,883)
(Decrease)/increase in other provisions	(1,262)	531
Net cash inflow/(outflow) from operating activities	46,732	(3,586)

(b) Minimum cash reserve

Included in cash and cash equivalents is an amount of \$15.0m (December 2013: \$10.0m) that is required to be held on deposit under the terms of the Company's senior debt facility.

30 COMMITMENTS

Non-cancellable operating leases

	31 December 2014 \$'000	31 December 2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,480	3,641
Later than one year but not later than five years	9,819	10,293
Later than five years	2,741	4,232
	16,040	18,166

Operating leases have an average remaining term of 5.4 years (December 2013: 6.2 years). Assets that are the subject of operating leases include motor vehicles, equipment and office premises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 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. There has been no LTI's awarded for the 2014 year. The performance rights issued in September 2013 are for a term of 3 years and vest automatically on the satisfaction of both the service condition and performance hurdles in September 2016.

The performance rights cannot be transferred and are not quoted on the ASX. At 31 December 2014 there were 4 senior executives participating in the plan (December 2013: 6 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:

December 2014

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	971,980	-	-	(279,618)	692,362	-
Weighted average fair value		\$1.05				\$1.05	

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 and the Black Scholes option pricing model as appropriate.

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%

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.

31 SHARE-BASED PAYMENTS (CONTINUED)

(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. Existing options will remain on issue until they either vest and are exercised or expire.

The options were issued in accordance with guidelines established by the Directors of Devine Limited. The options were issued for a term of 5 - 10 years and are exercisable beginning on the second anniversary date of grant subject to the satisfaction of performance hurdles. The options cannot be transferred and are not quoted on the ASX. At 31 December 2014 there were 4 people participating in the scheme.

When exercised, each option is converted into one ordinary share in Devine Limited. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

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	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
December 2014							
02/07/2007	02/07/2017	24,500	-	-	24,500	-	-
01/07/2010	01/07/2015	630,000	-	-	-	630,000	-
28/10/2011	28/10/2016	437,750	-	-	-	437,750	-
		1,092,250	-	-	24,500	1,067,750	-
Weighted average exercise price		\$1.03	-	-	\$5.22	\$1.05	

(b) Executive share option scheme

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
December 2013							
06/09/2006	06/09/2016	40,250	-	-	40,250	-	-
02/07/2007	02/07/2017	58,250	-	-	33,750	24,500	24,500
01/07/2008	01/07/2018	56,000	-	-	56,000	-	-
01/07/2010	01/07/2015	830,000	-	-	200,000	630,000	-
28/10/2011	28/10/2016	437,750	-	-	-	437,750	-
		1,422,250	-	-	330,000	1,092,250	24,500
Weighted average exercise price		\$1.28	-	-	\$2.11	\$1.03	\$5.22

(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 2014 \$'000	31 December 2013 \$'000
Expense/(benefit) arising from share based payments	93	26

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32 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 2014 \$	6 months to December 2013 \$
Ernst & Young		
Audit and other assurance services		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	350,000	172,250
Other assurance and technical accounting services	98,500	44,480
Other services *	301,818	-
Total remuneration for audit and other assurance services	750,318	216,730
Taxation services		
Tax compliance and advisory services	30,688	27,138
Total remuneration for taxation services	30,688	27,138
Total remuneration of Ernst & Young	781,006	243,868

* Financial vendor due diligence costs incurred due to the Company sale process.

33 RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate Australian parent entity is HOCHTIEF Australia Holdings Limited and the ultimate parent entity is Actividades de Construcción y Servicios SA, incorporated and listed in Spain. There were no transactions between the Group and HOCHTIEF Australia Holdings Limited and nor between the Group and Actividades de Construcción y Servicios SA during the financial year (December 2013: Nil).

On 19 December 2013 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. are payable quarterly in arrears plus legal costs. Additionally through its relationship with Leighton Holdings Limited, the Group has accessed competitive rates in respect of information technology products and services. Amounts totaling \$102,567 for information technology services (December 2013: \$47,339) and \$750,000 for guarantee fees (December 2013: \$31,433) were paid or payable. These fees were determined under normal commercial terms and conditions.

Leighton Holdings Limited has agreed to reimburse the Company for sale transaction costs incurred up to a maximum of \$500,000. An amount of \$500,000 has been recognised in the December 2014 accounts.

(b) Directors

Mr N Parris, son of retired Director Mr. R W Parris, is a beneficiary of Emerge Partners. Fees totaling Nil (December 2013: \$59,068) were payable to Emerge Partners during the year in respect of property advisory services provided to Devine Limited. These fees were determined under normal commercial terms and conditions.

(c) Loans to key management personnel

No loans were secured or made during the financial year ended 31 December 2014 (December 2013: 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 2014 (December 2013: Nil)

(e) Compensation of key management personnel of the Group

	12 months to December 2014 \$	6 months to December 2013 \$
Short-term employee benefits	3,427,973	1,769,452
Post-employment benefits	251,692	141,565
Long-term benefits	90,720	182,067
Termination payments	477,180	-
Share-based payments	72,504	52,808
	4,320,069	2,145,892

(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 2014 Number outstanding	Dec 2013 Number outstanding
Performance rights				
16 September 2013	30 September 2016	-	391,464	603,066
			391,464	603,066
Options				
1 July 2010	1 July 2015	\$0.94	540,000	540,000
28 October 2011	28 October 2016	\$0.91	437,750	437,750
			977,750	977,750
			1,369,214	1,580,816

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33 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Transactions with Joint Ventures

Lease rental including outgoings of \$506,317 (6 months to December 2013: \$775,901) has been paid to the Hamilton Harbour joint venture in respect of a property lease. During the 2014 financial year the joint venture sold the rental property and lease rental transactions ceased to be related. The lease term and rental were determined under normal commercial conditions.

(h) Revenue from related parties

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
<i>Sales of goods and services</i>		
Interest received from related parties	1,449	361
Revenue from property development - related joint ventures	10,793	4,395
Revenue from construction services - related joint ventures	45,327	9,549
	57,569	14,305

(i) Amounts owed by related parties

	31 December 2014 \$'000	31 December 2013 \$'000
Trade receivables owing by joint ventures	10,917	4,146
Less: Provision for doubtful debt	(5,000)	-
Loans advanced to joint ventures	18,963	24,229
	24,880	28,375

(j) Amounts owed to related parties

	31 December 2014 \$'000	31 December 2013 \$'000
Loans advanced by joint ventures	20,715	18,371

(k) Guarantees

Devine Limited and in most instances its joint venture partners have provided guarantees for the performance of the joint ventures for debt totaling \$25.2m at 31 December 2014 (December 2013: \$62.1m). The debt is secured against assets of the joint ventures with a recorded value of \$64.9m (June 2013: \$118.4m) and is to be repaid from the land sales of the joint ventures. No liabilities are expected to arise.

(l) Terms and conditions

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

34 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 2014	31 December 2013
Bacchus Marsh	50	50
Deer Park	50	50
Casey Fields *	55	55
Henry Road Pakenham	50	50

* The Group has an ownership interest greater than 50% but does not have the power to govern the joint operation's financial and operating policies. Accordingly the joint operation is not required to be consolidated.

All joint operations have a year end of 30 June. They have a different year end to the Group as they have remained consistent with the reporting date adopted by the joint operation at the inception of the arrangement.

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

(b) Joint ventures

(i) Joint ventures ownership interest

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

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

	Ownership interest %	
	31 December 2014	31 December 2013
Hamilton Harbour Unit Trust	50	50
Townsville City Project Trust	50	50
Riverina Estate Development Trust	50	50
VR Pakenham Trust**	-	50
Kurunjang Development Trust	50	50
Wallan Project Trust	50	50
DoubleOne 3 Unit Trust	50	50
North Parramatta Unit Trust*	-	50
Fallingwater Trust	15	15

* Effective 3 June 2014, the units in North Parramatta Unit Trust were sold.

** Effective 30 September 2014, the units in VR Pakenham Trust were sold.

All joint ventures have a year end of 30 June. They have a different year end to the Group as they have remained consistent with the reporting date adopted by the joint venture at the inception of the arrangement.

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34 INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

(b) Joint ventures (continued)

(ii) Summarised financial information - material joint venture

As at 31 December 2013, the Group's interest in Hamilton Harbour Unit Trust was considered to be material in value to the Group. During the December 2014 financial year a key inventory asset of the Trust was sold and equity returned to the Group which has resulted in the Group's interest in the Trust to not be material in value. The interest is accounted for using the equity method in the consolidated financial statements. Summarised financial information on the joint venture, based on its Australian Accounting Standards financial statements, and reconciliation to the carrying amount of the investment in the consolidated financial statements is set out below:

	31 December 2014 \$'000	31 December 2013 \$'000
Summarised statement of financial position		
Cash and cash equivalents	-	2,401
Other current assets*	-	73,803
Current assets	-	76,204
Non-current assets	4,089	10,676
Total assets	4,089	86,880
Current financial liabilities (excluding trade payables)*	9	34,268
Other current liabilities	48	583
Current liabilities	57	34,851
Other non-current liabilities	-	-
Net assets	4,032	52,029
Proportion of the Group's ownership	50%	50%
Carrying amount of investment accounted for using the equity method	2,016	26,015

* The interest bearing debt held by the joint venture at December 2013 had a contractual expiry of August 2015. However the contractual terms of this facility required its repayment prior to expiry should certain key inventory assets be sold. At 31 December 2013 this key inventory asset was subject to a conditional contract for sale, so both the debt and the relevant asset were classified as current.

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Summarised statement of comprehensive income		
Revenue	87,675	16,757
Interest income	104	40
Interest expense	(532)	(1,023)
Profit/(loss) for the year and total comprehensive income/(loss) for the year	(661)	(7,353)
Proportion of the Group's ownership	50%	50%
Share of profit/(loss) from joint venture	(330)	(3,677)

34 INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

(b) Joint ventures (continued)

(iii) Share of other joint ventures' net assets

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

	31 December 2014 \$'000	31 December 2013 \$'000
Current assets	17,029	39,512
Non-current assets	17,492	14,703
Total Assets	34,521	54,215
Current liabilities	19,980	38,345
Non-current liabilities	5,664	5,315
Total Liabilities	25,644	43,660
Net Assets	8,877	10,555

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

(iv) Share of joint venture entities' results

	12 months to December 2014 \$'000	6 months to December 2013 \$'000
Profit/(loss) for the year and total comprehensive Income/(loss) for the year	23	(236)

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35 CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 31 December 2014 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 \$32.9m at 31 December 2014 (6 months to December 2013: \$30.2m) 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 \$25.2m at 31 December 2014 (December 2013: \$62.1m). The debt is secured against assets of the joint ventures with a recorded value of \$64.9m (December 2013: \$118.4m) 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.

(iii) Other

The Company has engaged external advisors as part of the Company sales process. The success fees are contingent on the successful completion of the sale process. No provision has been raised at 31 December 2014.

36 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 Managing Director and CEO and the Board.

Effective from 1 January 2014 the Group changed from a "Geographic" based structure to a "Product" based structure and has four reportable segments, Communities, Housing, Development, and Construction. Comparative information has been restated accordingly.

(b) Operating segments

	Housing	Communities	Development	Construction	Other	Consolidated Total
12 months December 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total sales revenue	116,232	124,670	5,875	86,721	-	333,498
Interest revenue	124	411	766	26	1,294	2,621
Other revenue	30	11	7,627	5	517	8,190
Total segment revenue	116,386	125,092	14,268	86,752	1,811	344,309
Operating segment result before write-back	(4,761)	4,259	7,122	3,035	(1,935)	7,720
Write-back of inventory (refer Note 4)	-	3,941	-	-	-	3,941
Net sale transaction costs	-	-	-	-	(1,639)	(1,639)
Segment result	(4,761)	8,200	7,122	3,035	(3,574)	10,022
Profit before income tax	-	-	-	-	-	10,022
Income tax expense	-	-	-	-	-	(6,423)
Profit for the year	-	-	-	-	-	3,599

36 SEGMENT INFORMATION (CONTINUED)

(b) Operating segments (continued)

December 2014	Housing \$'000	Communities \$'000	Development \$'000	Construction \$'000	Other \$'000	Consolidated Total \$'000
Segment assets	23,097	305,097	30,693	5,283	24,080	388,250
Segment liabilities *	17,817	37,070	2,251	9,689	72,788	139,615
Other segment information						
Investments in joint ventures	-	3,782	8,691	-	-	12,473
Share of net profits/(losses) of joint ventures	-	214	(521)	-	-	(307)

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

6 months December 2013	Housing \$'000	Communities \$'000	Development \$'000	Construction \$'000	Other \$'000	Consolidated Total \$'000
Total sales revenue	60,530	46,327	22,650	9,867	-	139,374
Interest revenue	38	186	440	21	603	1,288
Other revenue	54	-	178	-	-	232
Total segment revenue	60,622	46,513	23,268	9,888	603	140,894
Operating segment result before write-down	(5,677)	(6,482)	(3,961)	2,866	(1,732)	(14,986)
Inventory write-down, impairment and other expenses (refer Note 4)	(1,780)	(64,842)	(78)	(3,100)	(219)	(70,019)
Segment result	(7,457)	(71,324)	(4,039)	(234)	(1,951)	(85,005)
Loss before income tax	-	-	-	-	-	(85,005)
Income tax benefit	-	-	-	-	-	12,028
Loss for the period	-	-	-	-	-	(72,977)
Segment assets	25,110	348,076	71,058	(1,489)	26,278	469,033
Segment liabilities *	18,152	73,511	4,460	6,169	122,047	224,339
Other segment information						
Investments in joint ventures	-	4,182	32,011	-	-	36,193
Share of net profits/(losses) of joint ventures	-	(129)	(3,783)	-	-	(3,912)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

37 EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	31 December 2014 cents	31 December 2013 cents
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	2.3	(46.0)

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

	31 December 2014 \$'000	31 December 2013 \$'000
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	3,599	(72,977)

(c) Weighted average number of shares used as denominator

	31 December 2014 \$'000	31 December 2013 \$'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	158,730,556	158,730,556
Adjustments for calculation of diluted earnings per share:		
Options	-	17,104
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	158,730,556	158,747,660

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.

38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events which have occurred post 31 December 2014.

39 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments 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 Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis for credit risk.

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.

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

Cash flow and fair value interest rate risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest bearing positions. Based on the simulations performed, the table below details the impact on profit or loss of a 100 basis point shift. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the Board.

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. Group policy is to maintain at least 50% of its borrowings at fixed rate using interest rate derivatives to achieve this when necessary. During the financial year ended 31 December 2014 and year ended 31 December 2013, the Group's borrowings at variable rate were denominated in Australian Dollars.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate and other derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed rates. Under the 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. The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

Index	Impact on post-tax profit		Impact on other components of equity	
	12 months to December 2014 \$'000	6 months to December 2013 \$'000	12 months to December 2014 \$'000	6 months to December 2013 \$'000
+1% (100 basis points)	-	-	72	419
-1% (100 basis points)	-	-	(207)	(542)

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

	31 December 2014		31 December 2013	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	4.6%	70,356	4.7%	123,508
Value of variable rate borrowings hedged		(50,000)		(75,000)
Net exposure to cash flow interest rate risk		20,356		48,508

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Credit quality

	December 2014 \$'000	December 2013 \$'000
Trade receivables		
Trade receivables	19,909	30,284
Other receivables	39,277	51,774
	59,186	82,058
Cash at bank and short-term bank deposits		
AA-	17,294	10,498
A-	828	766
	18,122	11,264
Retentions		
Not rated	127	191

(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 and close out market positions. 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 maintains 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 2014 \$'000	6 months to December 2013 \$'000
Floating rate		
Bank loans	8,081	6,285

The facility expires 31 August 2015 (refer Note 1(a) (v))

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

Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities

	Less than 6 months \$'000	Between 6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 31 December 2014						
Non-derivatives						
Trade payables	37,893	19,604	3,679	35	89	61,300
Interest bearing	6,583	68,576	-	-	-	75,159
Non-interest bearing	-	3,500	-	-	-	3,500
Total non-derivatives	44,476	91,680	3,679	35	89	139,959

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

At 31 December 2014	Less than 6 months \$'000	Between 6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives						
Trade payables	40,142	17,312	4,842	2,499	-	64,795
Interest bearing	29,987	7,014	99,454	-	-	136,455
Non-interest bearing	12,800	6,600	10,927	-	-	30,327
Total non-derivatives	82,929	30,926	115,223	2,499	-	231,577

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).

The following table presents the Group's assets and liabilities required to be measured at fair value at 31 December 2014 and 31 December 2013:

31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Derivatives used for hedging	-	174	-	174
Total liabilities	-	174	-	174
31 December 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Derivatives used for hedging	-	458	-	458
Total liabilities	-	458	-	458

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, forward interest yield curves and the current creditworthiness of the swap counterparties.

DIRECTORS' DECLARATION

31 DECEMBER 2014

In the Directors' opinion:

- (a) the Financial statements and notes of Devine Limited for the financial year ended 31 December 2014 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 2014 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.



P J Dransfield
Chairman



D B Keir
Managing Director and CEO

Brisbane
18 February 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEVINE LIMITED



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Independent auditor's report to the members of Devine Limited

Report on the financial report

We have audited the accompanying financial report of Devine Limited, which comprises the statements of financial position as at 31 December 2014, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEVINE LIMITED (CONTINUED)



Opinion

In our opinion:

- a. the financial report of Devine Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2014 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2014. 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.

Opinion

In our opinion, the Remuneration Report of Devine Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Alison de Groot
Partner
Brisbane
18 February 2015

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SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW
WAS APPLICABLE AS AT 18 MARCH 2015.

A. DISTRIBUTION OF EQUITY SECURITIES

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

Holding	Class of equity security					
	Ordinary shares		Executive options		Performance rights	
	Holders	No of shares	Holders	No of options	Holders	No of performance rights
1-1,000	858	295,248	-	-	-	-
1,001 - 5,000	1,064	2,618,087	-	-	-	-
5,001-10,000	410	3,051,597	-	-	-	-
10,001-100,000	635	18,067,147	1	90,000	-	-
100,001 and over	85	134,698,477	2	977,750	4	692,362
	3,052	158,730,556	3	1,067,750	4	692,362

There were 635 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
Leighton Residential Investments Pty Ltd	80,368,643	50.63
Brazil Farming Pty Ltd	14,025,880	8.84
HSBC Custody Nominees (Australia) Limited	5,573,610	3.51
Citicorp Nominees Pty Limited	5,395,473	3.40
UBS Nominees Pty Ltd	2,876,207	1.81
National Nominees Limited	2,728,282	1.72
Luton Pty Ltd	1,421,273	0.90
J P Morgan Nominees Australia Limited	1,196,101	0.75
Wilmar Enterprises Pty Ltd	975,000	0.61
Contemplator Pty Ltd <ARG Pension Fund A/C>	900,000	0.57
Hugh Green Foundation	860,000	0.54
Corry Lyn Pty Ltd	800,000	0.50
Superlife Trustee Nominees Ltd <SL Prop A/C>	683,000	0.43
Ruminator Pty Ltd	621,021	0.39
Mr Christopher Lephed	566,045	0.36
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	552,401	0.35
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	519,170	0.33
Golden Venture Pty Ltd <The Tirman Super Fund A/C>	500,000	0.31
Bond Street Custodians Limited <Forager Wholesale Value FD>	487,821	0.31
Mr Steven Fahey + Mrs Lynette Fahey <SF Super Fund A/C>	435,716	0.27
	121,485,643	76.54

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage of issued shares
Ordinary shares		
Leighton Residential Investments Pty Ltd	80,368,643	50.63%
Brazil Farming Pty Ltd	14,025,880	8.84%
	94,394,523	59.47%

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.

Option and performance rights

No voting rights.



Devine
GROUP

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