

# Appendix 4D

## Half Year Report

Name of Entity

**Devine Limited**

ABN

**51 010 769 365**

Reporting period ("2018")

**30 June 2018**

Previous Corresponding period ("2017")

**30 June 2017**

### Results for announcement to the market

	6 months to 30 June 2018 \$'000	6 months to 30 June 2017 \$'000	% Change
Revenue from ordinary activities	<b>23,860</b>	<b>30,450</b>	<b>(21.6%)</b>
Loss after tax attributable to shareholders	<b>(11,359)</b>	<b>(12,982)</b>	<b>(12.5%)</b>

Additional Appendix 4D disclosure requirements can be found in the notes to the 30 June 2018 Interim Financial report for Devine Limited and the Directors' Comments for the review of operations.

### Dividends/Distributions

There were no dividends declared or paid to shareholders during or since the end of the half year ended 30 June 2018. The Company does not have an active Dividend Reinvestment Plan

### Net Tangible Assets per share (NTA)

	2018 \$	2017 \$
Basic NTA	<b>\$ 0.66</b>	<b>\$ 1.00</b>
Diluted NTA	<b>\$ 0.66</b>	<b>\$ 1.00</b>

### Earnings per share (EPS)

	2018 cents	2017 cents
Basic EPS	<b>(7.1) cents</b>	<b>(8.2) cents</b>
Diluted EPS	<b>(7.1) cents</b>	<b>(8.2) cents</b>

**Devine Limited** ABN 51 010 769 365  
**Interim Report – 30 June 2018**

Lodged with the ASX under Listing Rule 4.2A  
This information should be read in conjunction with the  
31 December 2017 Annual Report

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Devine Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Devine Limited  
Level 2, KSD1  
485 Kingsford Smith Drive  
Hamilton Queensland 4007

For queries in relation to our reporting please call (07) 3608 6300

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Company) consisting of Devine Limited (Devine) and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

### DIRECTORS

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

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

### CHIEF EXECUTIVE OFFICER

S A Cooper held position of CEO for the half-year and held the position until 9 July 2018 when J M Campbell was appointed CEO. Mr Cooper resigned as CEO 8 July 2018.

### CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

J S L Mackay

### DIVIDENDS

There were no dividends declared or paid to members during or since the end of the half-year ended 30 June 2018 (June 2017: nil).

### REVIEW OF OPERATIONS

The Directors' Comments form an integral part of the Directors' report. Refer attached Directors' Comments for the review of operations.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

### ROUNDING OF AMOUNTS

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

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



D P Robinson  
Chairman

Brisbane  
8 August 2018

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Notes	6 months to June 2018 \$'000	6 months to June 2017 \$'000
<b>Continuing operations</b>			
Revenue	2	24,256	27,039
Expenses	3	(36,812)	(40,931)
Finance income	2	9	238
Finance expense		(145)	(10)
<b>Net finance (expense)/income</b>		<b>(136)</b>	228
Share of net profit of joint ventures accounted for using the equity method		1,523	1,208
<b>Loss from continuing operations before tax</b>		<b>(11,169)</b>	(12,456)
Income tax expense	4	-	-
<b>Loss from continuing operations after tax</b>		<b>(11,169)</b>	(12,456)
<b>Discontinued operations</b>			
Loss after tax from discontinued operations	9	(190)	(526)
<b>Loss for the half-year</b>		<b>(11,359)</b>	(12,982)
<b>Total comprehensive loss for the half-year</b>		<b>(11,359)</b>	(12,982)
		<b>Cents</b>	Cents
<b>Earnings/(loss) per share</b>			
Basic and diluted, loss for the half-year attributable to ordinary equity holders of the Company	8	(7.1)	(8.2)
<b>Earnings/(loss) per share from continuing operations</b>			
Basic and diluted, loss for the half-year attributable to ordinary equity holders of the Company	8	(7.0)	(7.8)
<b>Earnings/(loss) per share from discontinued operations</b>			
Basic and diluted, loss for the half-year attributable to ordinary equity holders of the Company		(0.1)	(0.4)

Note: The consolidated loss before tax of Devine Limited and its subsidiaries of \$11,359,170 comprises a loss from continuing operations of \$11,169,121 and loss from discontinued operations of \$190,049. Refer also to note 7(b) segment information.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

Notes	30 June 2018 \$'000	31 December 2017 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,963	295
Receivables	14,653	34,352
Inventories	23,142	40,999
Prepayments	610	1,218
<b>Total current assets</b>	<b>41,368</b>	<b>76,864</b>
<b>Non-current assets</b>		
Receivables	6,669	9,451
Inventories	102,932	116,310
Investments accounted for using the equity method	20,526	19,215
Plant and equipment	331	456
Intangible assets	3,316	3,316
<b>Total non-current assets</b>	<b>133,774</b>	<b>148,748</b>
<b>Total assets</b>	<b>175,142</b>	<b>225,612</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Advances and other payables	12,237	23,767
Provisions	2,673	2,592
Interest bearing loans	-	46,617
<b>Total current liabilities</b>	<b>14,910</b>	<b>72,976</b>
<b>Non-current liabilities</b>		
Advances and other payables	3,042	4,709
Provisions	1,053	1,422
Interest bearing loans	48,285	-
<b>Total non-current liabilities</b>	<b>52,380</b>	<b>6,131</b>
<b>Total liabilities</b>	<b>67,290</b>	<b>79,107</b>
<b>Net assets</b>	<b>107,852</b>	<b>146,505</b>
<b>EQUITY</b>		
Contributed equity	292,367	292,367
Reserves	337	336
Accumulated losses	(184,852)	(146,198)
<b>Total equity</b>	<b>107,852</b>	<b>146,505</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 31 December 2017</b>	292,367	336	(146,198)	146,505
Opening balance adjustment on application of new accounting standards <sup>1</sup>	-	-	(27,295)	(27,295)
<b>Restated total equity at 1 January 2018</b>	<b>292,367</b>	<b>336</b>	<b>(173,493)</b>	<b>119,210</b>
Loss for the half-year	-	-	(11,359)	(11,359)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>-</b>	<b>(11,359)</b>	<b>(11,359)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Expense pursuant to employee incentive scheme	-	1	-	1
<b>Balance at 30 June 2018</b>	<b>292,367</b>	<b>337</b>	<b>(184,852)</b>	<b>107,852</b>
<b>Balance at 1 January 2017</b>	292,367	331	(117,806)	174,892
Loss for the half-year	-	-	(12,982)	(12,982)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>-</b>	<b>(12,982)</b>	<b>(12,982)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Expense pursuant to employee incentive scheme	-	3	-	3
<b>Balance at 30 June 2017</b>	<b>292,367</b>	<b>334</b>	<b>(130,788)</b>	<b>161,913</b>

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

<b>Notes</b>	<b>6 months to June 2018 \$'000</b>	<b>6 months to June 2017 \$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	21,933	42,018
Payments to suppliers and employees (inclusive of goods and services tax)	(14,686)	(62,423)
Interest received	9	19
Interest and borrowing costs paid	(1,101)	(1,163)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,155</b>	<b>(21,549)</b>
<b>Cash flows from investing activities</b>		
Net (payments)/proceeds for plant and equipment	(14)	10
Net payments to investments in joint ventures	(139)	-
Loans to joint ventures	(1,076)	(1,434)
Repayments of loans by joint ventures	6,923	-
Repayment of loans to joint ventures	(11,200)	-
Equity distributions received from joint ventures	350	-
<b>Net cash outflow from investing activities</b>	<b>(5,156)</b>	<b>(1,424)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,669	26,552
Repayment of borrowings	-	(3,741)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>1,669</b>	<b>22,811</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,668</b>	<b>(162)</b>
Cash and cash equivalents at the beginning of the reporting period	295	863
<b>Cash and cash equivalents at end of period</b>	<b>2,963</b>	<b>701</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2018

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Devine Limited during the interim period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

With the exception of the changes in accounting standards and accounting policy judgement per Note 1(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

### (a) Basis of preparation of half-year financial report

#### (i) *Basis of Accounting*

The half-year ended financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporation Act 2001*, *AASB 134 Interim Financial Reporting*, and other mandatory professional reporting requirements.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### (ii) *Going Concern*

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

For the half year ended 30 June 2018, the Group incurred a net loss after tax of \$11.4m (2017: net loss of \$13m) and generated net cash inflows from operating activities of \$6.2m (2017: outflow of \$21.5m). As at 30 June 2018, the Group had net assets of \$107.9m (December 2017: \$146.5m) and current assets exceeded current liabilities by \$26.5m (December 2017: \$3.9m).

As at 30 June 2018, the Group had drawn debt and bank guarantees totalling \$51.7m under the ANZ Bank Multi Option Facility (MOF), of which \$48.3m has been classified as a non-current liability due to its maturity being 29 March 2020. The MOF does not contain covenants and is guaranteed by Devine's majority shareholder. The assets of the group exceed the current \$51.7m exposure of the Group to the senior lender in relation to the MOF.

In preparing the financial statements on a going concern basis, the Directors have had regard to the re-organisation of the Company's business and the Group's recent refinancing of the MOF. On the basis of these two items and the continued focus on cash and liquidity by management, the Directors are satisfied that the Group can continue to operate as a going concern to realise assets and discharge liabilities in the ordinary course of business and at the amounts stated in the financial report.

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



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

### **(b) Change in accounting standards and accounting policy judgement**

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

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

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

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

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

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

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

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

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

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

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

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

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

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

### **(b) Change in accounting standards and accounting policy judgement (continued)**

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

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

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

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

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

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

### (b) Change in accounting standards and accounting policy judgement (continued)

#### Impact on application

The Group has applied AASB 15, AASB 9 and the change in accounting policy judgement retrospectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity as at 1 January 2018 and comparative figures are therefore not restated. The opening equity adjustment due to the application of the new standards is analysed by financial statement line item below.

Impact on assets, liabilities and equity at 1 January 2018

		As reported 31 December 2017 \$'000	Accounting Policy adjustments \$'000	AASB 15 Transition adjustments \$'000	Opening balance 1 January 2018 \$'000
Current receivables	(i)&(ii)	34,352	2,918	(18,059)	19,211
Current inventories	(i)	40,999	(2,918)	-	38,081
<b>Current assets impact</b>			-	<b>(18,059)</b>	
Non-current receivables	(i)&(ii)	9,451	7,314	(8,766)	7,999
Non-current inventories	(i)	116,310	(7,314)	-	108,996
Deferred tax assets <sup>1</sup>	(iv)	11,535	-	(3,070)	8,465
<b>Non-current assets impact</b>			-	<b>(11,836)</b>	
<b>Total assets impact</b>			-	<b>(29,895)</b>	
Current trade and other payables	(iii)	23,767	-	470	24,237
Deferred tax liabilities <sup>1</sup>	(iv)	11,535	-	(3,070)	8,465
<b>Total liabilities impact</b>			-	<b>(2,600)</b>	
<b>Net assets impact</b>			-	<b>(27,295)</b>	
Retained earnings	(v)	(146,198)	-	(27,295)	(173,493)
<b>Total equity impact</b>			-	<b>(27,295)</b>	

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

There were no impacts identified on retrospective adoption of AASB 9.

- (i) Re-assessment of accounting policy adopted in relation to the Land Management Agreement (LMA) as a Construction and Services contract under AASB 111 (previously revenue recognised under AASB 118 and costs incurred recognised as work-in progress under AASB 102) whereby the Group will account for all costs incurred to date as Contract costs and revenue based on the existing accounting policy of the Group in relation to Construction and Service contracts "where outcome of the contract cannot be reliably estimated profits are deferred and where it is probable that the cost will be recovered, revenue is recognised to the extent of costs incurred" and the margin is then only recognised on lots settled to date with a view to eliminate any uncertainty around variable consideration.

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

- balance sheet re-classification of \$10.2m between inventory and receivables within the same class of assets;
- no impact on net assets or to the opening balance of retained earnings as there is no difference to the margin recognised on the contract under either of the methods;
- revenue and costs recognised for the comparative period would be higher only by \$47k.

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

### **(b) Change in accounting standards and accounting policy judgement (continued)**

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

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

As a result of the change in accounting policy judgement in relation to the LMA, the Group had a \$10.2m contract asset receivable from the Land Owner, \$9.4m of this contract asset did not meet the higher threshold probability criteria of the new standard. As at 30 June 2018, the Group has a contract assets receivable from the Land Owner of \$1m in accordance with the higher threshold of probability under the new standard.

*(iii)* As per the revenue recognition requirements under AASB 15, where the Group receives an upfront payment before completion of performance obligations on a contract, revenue has to be deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled obligations. During 2017, the Group had a number of contracts where contract liability of \$0.5m had to be recognised. As at 30 June 2018, the Group has a contract liability balance of \$0.1m.

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

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

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

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

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

The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

### **AASB 16 Leases effective 1 January 2019**

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

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

### **(b) Change in accounting standards and accounting policy judgement (continued)**

As at the reporting date, the Group has non-cancellable operating lease commitments of \$4m. Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as projects are tendered for. As such the Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

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

### **(c) Accounting policies applied from 1 January 2018**

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are the same as those applied by the Group in the financial report for the year ended 31 December 2017, except for the following amended policies for the new accounting standards effective 1 January 2018 outlined in Note 1(b). The Group has elected not to restate comparative information and as a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies outlined in the Group's 2017 Annual Report.

#### ***(i) Revenue recognition***

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

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

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

Payment is generally received on actual land settlement, when risk and benefits of ownership are transferred to the customer. Where the Group receives an upfront payment on transfer of ownership and before completion of performance obligations on a contract, the revenue is deferred on the balance sheet as a 'contract liability' to the extent of unfulfilled obligations. Also refer note for 'contract asset' and 'contract liability'.

##### ***(b) Property development***

Revenue in respect of the Company's property development projects is recognised when risks and benefits of ownership transfer to a third party along with fulfillment of all performance obligations on a contract. The revenue is measured at the transaction price agreed under the contract. Payment is received on actual settlement of individual units, when risk and benefits of ownership are transferred to the customer.

Costs in relation to individual settled units are recognised in proportion to the total costs for the project and based on the percentage of revenue recognised for each settled unit. Marketing and selling costs associated with the Company's property development projects are directly expensed as incurred.

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

### (c) Accounting policies applied from 1 January 2018 (continued)

#### (i) Revenue recognition (continued)

##### (c) Construction contracts

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

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

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

##### (d) Services revenue

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

Performance obligations are fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has right to payment for performance to date. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation.

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

##### (e) Other related items in relation to recognition of income

**Finance income** is recognised on an accruals basis.

**Dividend income** is recognised when the dividend is declared.

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

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

### (c) Accounting policies applied from 1 January 2018 (continued)

#### (i) Revenue recognition (continued)

##### (e) Other related items in relation to recognition of income (continued)

###### Variable consideration

It is common for contracts to include performance bonuses or penalties assessed against the timeliness or cost effectiveness of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as “constraint” requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

###### Contract fulfilment costs

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

###### Financing components

The Group will adjust transaction prices for the time value of money for any contracts with a financing component. However, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component.

###### Loss making contracts

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

#### (ii) Contract assets and liabilities

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

#### (iii) Non-derivative financial assets

##### (a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

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

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

### (c) Accounting policies applied from 1 January 2018 (continued)

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

for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (b) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

#### *Debt instruments*

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. None are currently held by the Group.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group. None are currently held by the Group.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group.

#### *Equity instruments*

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

#### (c) *Impairment*

For trade receivables, contract debtors, other receivables including joint venture loans and lease receivables (if any), the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For all other financial instruments, the Group assesses expected credit losses on a forward looking basis and the impairment methodology applied will depend on whether there has been a significant increase in credit risk.



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

### (c) Accounting policies applied from 1 January 2018 (continued)

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

##### *Interest bearing liabilities*

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

##### *Trade and other payables*

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms.

#### **(v) Derivative financial instruments**

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

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

##### *Cash flow hedge*

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

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

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

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

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

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time

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

### **(c) Accounting policies applied from 1 January 2018 (continued)**

#### **(v) Derivative financial instruments (continued)**

remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Accounting policies for remaining hedges and derivatives are consistent with the comparative period.

### **(d) 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. In preparing the consolidated interim financial report, judgements made in the application of AASBs that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are the same as those disclosed in the 31 December 2017 Annual Report, updated for the following:

- Construction and services projects:
  - determination of stage of completion;
  - estimation of total contract costs;
  - estimation of total contract revenue, including recognising revenue on contract variations and claims only to the extent it is highly probable that a significant reversal in the amount recognised will not occur in the future;
  - estimation of project completion date; and
  - assumed levels of project productivity.
- Estimation of provision for credit losses on financial assets.

### **(e) Comparatives**

The comparative information is for the six month period ended 30 June 2017 and balance sheet information as at 31 December 2017. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

## 2. REVENUE FROM CONTINUING OPERATIONS

	6 months to June 2018 \$'000	6 months to June 2017 \$'000
<b>Revenue</b>		
Revenue from property development	18,693	8,832
Revenue from construction activities	-	(308)
Revenue from property development – related joint ventures	1,206	3,357
Revenue from construction activities – related joint ventures	3,961	14,788
	<b>23,860</b>	<b>26,669</b>
<b>Other revenue</b>		
Rent received	115	269
Sundry income	281	101
	<b>396</b>	<b>370</b>
<b>Total revenue</b>	<b>24,256</b>	<b>27,039</b>
<b>Timing of revenue recognition</b>		
At a point in time	17,784	11,682
Over time	6,472	15,357
<b>Total revenue</b>	<b>24,256</b>	<b>27,039</b>
<b>Finance income</b>	<b>9</b>	<b>238</b>

## 3. EXPENSES FROM CONTINUING OPERATIONS

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

	6 months to June 2018 \$'000	6 months to June 2017 \$'000
Cost of sales	18,728	33,011
Net inventory impairment/ (write-backs)*	10,376	(1,086)
Marketing and selling costs**	2,666	1,308
Occupancy	695	1,109
Administration	2,818	5,339
Land holding expenses	551	601
Other***	978	649
	<b>36,812</b>	<b>40,931</b>

\*June 2018 includes \$10.7m inventory impairment during the period (June 2017: nil).

\*\*June 2018 includes \$1.5m selling costs in relation to sale of Wallan englobo land parcel.

\*\*\*June 2018 includes provisions raised of \$0.3m. June 2017 includes provisions released of \$0.1m.

#### 4. INCOME TAX EXPENSE

(a) Income tax expense

	6 months to June 2018 \$'000	6 months to June 2017 \$'000
Current tax expense:	-	-
Deferred tax expense:	-	-
<b>Income tax expense reported in the consolidated statement of comprehensive income</b>	<b>-</b>	<b>-</b>

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

	30 June 2018 \$'000	30 June 2017 \$'000
Loss from continuing operations before income tax expense	(11,169)	(12,456)
Loss from discontinuing operations before income tax expense	(190)	(526)
<b>Total loss before income tax expense</b>	<b>(11,359)</b>	<b>(12,982)</b>
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	(3,408)	(3,895)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Other	1	-
Current year tax losses not recognised	3,407	3,895
<b>Income tax expense</b>	<b>-</b>	<b>-</b>
Income tax expense for continuing operations	-	-
Income tax expense for discontinuing operations	-	-
	<b>-</b>	<b>-</b>

(c) Tax losses

The Group has total tax losses of \$157,528,721 (December 2017: \$131,417,416) which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met.

Deferred tax assets in respect of these losses of \$47,258,616 (December 2017: \$36,133,918) have not been recognised as there is not sufficient certainty that future taxable amounts will be available in the short term to utilise these losses or that these tests will continue to be able to be met.

## 5. DIVIDENDS

### Franking credits balance

	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (June 2017 - 30.0%)	<b>9,444</b>	9,444

## 6. CONTINGENCIES

### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2018 in respect of:

#### (i) Guarantees

The Group has provided the following guarantees:

The Group and controlled entities have provided bank guarantees and surety bonds totalling \$19.7m at 30 June 2018 (December 2017: \$21.7m) 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 totalling \$20.5m at 30 June 2018 (December 2017: \$35.8m). The debt is secured against assets of the joint ventures with a recorded value of \$78.4m (December 2017: \$100.5m) and is to be repaid from the property sales of the joint ventures. No liabilities are expected to arise.

#### (ii) Litigation

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

During the period, the Group was served a Claim from a customer. The Group has assessed this claim as having low prospects of success for the customer and the Group denies the claim and it will be defended.

### (b) Contingent assets

Due to the implementation of AASB15, certain assets previously recognised have now been de-recognised (refer Note 1(b)). However, the Directors consider the underlying probability of an inflow of economic benefits has not changed and these assets are now disclosed as contingent under AASB137 as the existence of these assets is dependent upon the occurrence of uncertain future events not wholly within the control of the Group.

The assets relate to contractual claims, insurance claims and contractual negotiations, which are dependent on third parties for determination to the value of circa \$25m.

## 7. 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 key management personnel and the Board.

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

## 7. SEGMENT INFORMATION (continued)

### (b) Operating segments

6 months ended 30 June 2018	Communities \$'000	Development \$'000	Construction \$'000	Corporate \$'000	Total continuing operations \$'000	Discontinued \$'000	Consolidated Total \$'000
Revenue**	19,713	186	3,961	-	23,860	-	23,860
Other revenue	242	-	154	-	396	-	396
<b>Total segment revenue</b>	<b>19,955</b>	<b>186</b>	<b>4,115</b>	<b>-</b>	<b>24,256</b>	<b>-</b>	<b>24,256</b>
<i>Timing of revenue recognition</i>							
At a point in time	17,629	1	154	-	17,784	-	17,784
Over time	2,326	185	3,961	-	6,472	-	6,472
<i>Total segment revenue</i>	<i>19,955</i>	<i>186</i>	<i>4,115</i>	<i>-</i>	<i>24,256</i>	<i>-</i>	<i>24,256</i>
<b>Segment result</b>	<b>2,087</b>	<b>282</b>	<b>(706)</b>	<b>(2,132)</b>	<b>(469)</b>	<b>(190)</b>	<b>(659)</b>
Write down of assets	(10,700)	-	-	-	(10,700)	-	(10,700)
<b>Segment result</b>	<b>(8,613)</b>	<b>282</b>	<b>(706)</b>	<b>(2,132)</b>	<b>(11,169)</b>	<b>(190)</b>	<b>(11,359)</b>
Loss before income tax	-	-	-	-	(11,169)	(190)	(11,359)
Income tax expense	-	-	-	-	-	-	-
Loss for the half-year	-	-	-	-	(11,169)	(190)	(11,359)
<b>As at 30 June 2018:</b>							
<b>Segment assets</b>	<b>162,990</b>	<b>6,209</b>	<b>201</b>	<b>5,741</b>	<b>175,141</b>	<b>1</b>	<b>175,142</b>
<b>Segment liabilities*</b>	<b>12,932</b>	<b>197</b>	<b>3,328</b>	<b>50,603</b>	<b>67,060</b>	<b>230</b>	<b>67,290</b>
<b>Other segment information</b>							
Investments in joint ventures	16,007	4,519	-	-	20,526	-	20,526
Share of net profits of joint ventures	1,408	115	-	-	1,523	-	1,523

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

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

## 7. SEGMENT INFORMATION (continued)

### (b) Operating segments (continued)

6 months ended 30 June 2017	Communities \$'000	Development \$'000	Construction \$'000	Corporate \$'000	Total continuing operation \$'000	Discontinued \$'000	Consolidated Total \$'000
Revenue**	10,637	1,552	14,480	-	26,669	3,781	30,450
Other revenue	288	-	82	-	370	-	370
<b>Total segment revenue</b>	<b>10,925</b>	<b>1,552</b>	<b>14,562</b>	<b>-</b>	<b>27,039</b>	<b>3,781</b>	<b>30,820</b>
<i>Timing of revenue recognition</i>							
At a point in time	10,925	675	82	-	11,682	3,781	15,463
Over time	-	877	14,480	-	15,357	-	15,357
<b>Total segment revenue</b>	<b>10,925</b>	<b>1,552</b>	<b>14,562</b>	<b>-</b>	<b>27,039</b>	<b>3,781</b>	<b>30,820</b>
<b>Segment result</b>	<b>(2,374)</b>	<b>1,979</b>	<b>(9,833)</b>	<b>(2,228)</b>	<b>(12,456)</b>	<b>(526)</b>	<b>(12,982)</b>
Write down of assets	-	-	-	-	-	-	-
<b>Segment result</b>	<b>(2,374)</b>	<b>1,979</b>	<b>(9,833)</b>	<b>(2,228)</b>	<b>(12,456)</b>	<b>(526)</b>	<b>(12,982)</b>
Loss before income tax	-	-	-	-	(12,456)	(526)	(12,982)
Income tax expense	-	-	-	-	-	-	-
Loss for the half-year	-	-	-	-	(12,456)	(526)	(12,982)
<b>As at 31 December 2017:</b>							
<b>Segment assets</b>	<b>191,798</b>	<b>12,228</b>	<b>17,514</b>	<b>4,070</b>	<b>225,610</b>	<b>2</b>	<b>225,612</b>
<b>Segment liabilities*</b>	<b>23,801</b>	<b>20</b>	<b>5,442</b>	<b>49,537</b>	<b>78,800</b>	<b>307</b>	<b>79,107</b>
<b>Other segment information</b>							
Investments in joint ventures	14,599	4,616	-	-	19,215	-	19,215
Share of net profits of joint ventures	-	1,208	-	-	1,208	-	1,208

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

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

## 8. EARNINGS PER SHARE

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

	30 June 2018 Cents	30 June 2017 Cents
Earnings/(loss) per share for continuing operations	(7.0)	(7.8)
Total basic and diluted earnings/(loss) per share	(7.1)	(8.2)

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

	30 June 2018 \$'000	30 June 2017 \$'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share:		
Continuing operations earnings/(loss)	(11,169)	(12,456)
Total earnings/(loss)	(11,359)	(12,982)

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

	30 June 2018 Number	30 June 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	158,730,556	158,730,556

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

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

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

## 9. DISCONTINUED OPERATIONS

	6 months to June 2018 \$'000	6 months to June 2017 \$'000
Revenue	-	3,781
Expenses	(190)	(4,306)
Finance income	-	4
Finance expense	-	(5)
<b>Net finance expense</b>	-	(1)
<b>Loss before tax from discontinued operations</b>	(190)	(526)
Tax expense	-	-
<b>Loss after tax from discontinued operations</b>	(190)	(526)

Refer to Note 7 for more details on discontinued operations.

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

	6 months to June 2018 \$'000	6 months to June 2017 \$'000
<b>Operating net cash (outflow)/inflow</b>	(266)	2,863



## 10. RELATED PARTY TRANSACTIONS

As disclosed in Note 2, the Group has received construction revenue from the following related parties:

	<b>6 months to June 2018 \$'000</b>	6 months to June 2017 \$'000
Mode Apartments Unit Trust	<b>3,961</b>	14,788
	<b>3,961</b>	14,788

The Group has also received property development revenue from the following related parties:

Bacchus Marsh (Stonehill)	-	1,790
Hamilton Harbour Unit Trust	-	654
Townsville City Project Trust	<b>1,021</b>	-
Henry Road Pakenham (Edenbrook)	-	15
DoubleOne 3 Unit Trust	-	21
Mode Apartments Unit Trust	<b>185</b>	877
	<b>1,206</b>	3,357

During the period, a \$70m Multi Option Facility expiring 29 March 2020 was made available to the Group by the senior lender guaranteed by the Group's majority shareholder. The Group has also been supported by its majority shareholder through other services including legal, treasury, insurance, IT and travel. All transactions are made on normal commercial terms or below market rates.

All other transactions with related parties are made on normal commercial terms and conditions and at market rates.

## 11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events which have occurred post 30 June 2018.

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 2 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and 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 30 June 2018 and of its performance for the half-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.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group 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.

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

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



D P Robinson  
Chairman

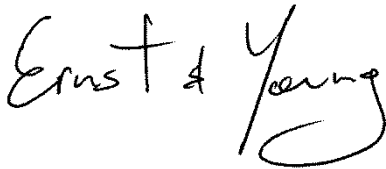
Brisbane  
8 August 2018

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

As lead auditor for the review of Devine Limited for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Ric Roach  
Partner  
8 August 2018

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

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Devine Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

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

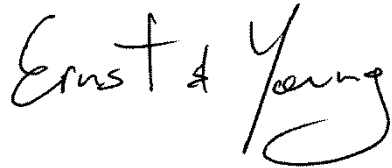
### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Ric Roach  
Partner  
Brisbane  
8 August 2018